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P-1

P-1

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Official Report of Debates (Hansard)

Thursday 23 April 1992

Journal des débats (Hansard)

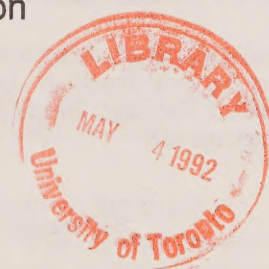
Le jeudi 23 avril 1992

Standing committee on public accounts

Organization

Comité permanent des comptes publics

Organisation



Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Il existe un index cumulatif des numéros précédents. Les renseignements qu'il contient sont à votre disposition par téléphone auprès des employés de l'index du Journal des débats au (416) 325-7400.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 23 April 1992

The committee met at 1012 in room 228.

ELECTION OF CHAIR

Clerk of the Committee (Ms Tannis Manikel): Honourable members, it's my duty to call upon you to elect a Chair. Are there any nominations?

Mr Gregory S. Sorbara (York Centre): "Are there any nominations," she said.

Mr W. Donald Cousens (Markham): I have had many opportunities to participate in public accounts. I would like to make one of those risky moves that you do when you're in third-party status. There happens to be a chap from Essex South who has proven himself over many years of work in the Legislature. If he promises to bring forward—I don't even have to say "if"—when he demonstrates once again that he is capable of being non-partisan, which this committee has been; and when he demonstrates as well that all parties, New Democrats and Conservatives, should be treated nicely, which this committee is really trying to do—he has to put up with a few Liberals, but I'm sure he can handle that.

Mr Sorbara: Until he's challenged.

Mr Cousens: Having made those brief remarks—that is a challenge and a half for any human being and I know that the person I am nominating to this high position, Mr Remo Mancini, really could meet those high challenges. I would therefore take pleasure in nominating Remo Mancini as Chairman.

Mr Sorbara: There's no one more qualified.

Clerk of the Committee: Thank you. Are there any further nominations?

Mr Larry O'Connor (Durham-York): I think that after being in the Legislature now for about a year and a half, seeing the member opposite speak eloquently on many occasions and knowing how non-partisan this committee has been under the capable chairmanship of his colleague Bob Callahan—I'm sure he will at times turn to him for some advice on how to try to be non-partisan in this committee—I'd like to second that motion in the spirit of this non-partisanship my colleague from Markham has displayed today.

Mr Cousens: He could even go back to Mr Ed Philip for guidance on how this committee was run for so long. We would hope that he would have opportunity to draw upon the great expertise of the present Minister of Industry, Trade and Technology.

Mr Remo Mancini (Essex South): I just might do that.

Clerk of the Committee: There being no further nominations, I declare the nominations closed and Mr Mancini the elected Chair.

Mr Sorbara: We've had two tedious speeches. I hope you don't have to get involved in acceptance remarks. Could we just get on with it?

The Chair (Mr Remo Mancini): There will not be a tedious acceptance speech, other than to thank my colleagues for giving me the opportunity to serve as your Chairperson.

ELECTION OF VICE-CHAIR

The Chair: We have a number of other items of business to conclude this morning. The first item is the election of a Vice-Chair.

Mr Cousens: I would like to nominate Mr Joseph Cordiano as Vice-Chair.

The Chair: Thank you, Mr Cousens. Is there a second for that?

Mr Sorbara: Here.

The Chair: Mr Sorbara. Mr Cordiano has let it be known that he will accept the office of Vice-Chair.

Now we need a motion for the business subcommittee.

Mr Sorbara: I think we had better vote on that.

The Chair: I'm sorry. Are there any further nominations? Seeing none, the nominations are closed. Mr Cordiano is duly elected Vice-Chair.

BUSINESS SUBCOMMITTEE

The Chair: Mr Hayes moves that the subcommittee on committee business be appointed to meet from time to time at the call of the Chair, or at the request of any member thereof, to consider and report to the committee on the business of the committee; that substitution be permitted on the subcommittee; that the presence of all members of the subcommittee is necessary to constitute a meeting, and that the subcommittee be composed of the following members: Mr Mancini, Mr Cordiano, Ms Haeck and Mr Cousens.

Mr Sorbara: Who's the final one after Haeck?

Mr Pat Hayes (Essex-Kent): Mr Cousens.

Mr Sorbara: Don Cousens? Okay.

Motion agreed to.

COMMITTEE BUSINESS

The Chair: What I'd like to do is ask our clerk to go over very briefly some of the work the committee has done so that we can decide what we wish to do today, if anything, and when we wish the subcommittee to meet. There was a substantial document sent to everyone. We might want to discuss that for a moment and what we're going to do with it, and see if we can order our business in the next two or three minutes.

Mr Stephen Owens (Scarborough Centre): Just a quick question, Chair. Are you planning to meet today? Ms

Haeck is available some time around 11 o'clock. I am only here as a sub.

The Chair: I don't think so. Some of us have to go back to the Legislature for private members' business. We've made previous commitments. I thought we could take five or 10 minutes, or even 15 maybe, to get ourselves reoriented and organized for future meetings.

Mr Owens: Sure. That's fine.

1020

Clerk of the Committee: Okay, if I can just review some of the things that are before the committee at this point that we're carrying over from last year: This package was sent to your offices earlier in the week; it's a survey on crown corporations. This is something that came up at the Canadian Council of Public Accounts Committees at the annual convention in Winnipeg last year. They asked that we have this complete at the end of January, I believe, so I do feel we should get it completed fairly soon. Ray McLellan, our researcher, has been working on this. We feel most of the questions have been answered except for a few right at the end of the survey, which we felt members had to answer as to what they saw as the role of the committee and of the Legislature.

We have two reports that are ready for the committee to look at. There's the report on substance abuse, which was brought before the committee when it met in February, but because very few of the members had been involved in the discussion of substance abuse it was felt we should carry this over to this time. That report is prepared and ready. I can have copies sent out to all the members today.

Also, we've prepared an annual report. This is something the committee has been doing for the last 10 years or so, just outlining what it's done over the years or over the year. In this case, it'll cover the two years because of the election. We've done this in the past. We've found it has been easier to amalgamate two years into the annual report. That's ready as well.

At the meeting in February the committee instructed the clerk and the researcher to prepare a letter to be sent to the Ministry of Health, the Treasurer and Management Board of Cabinet inquiring about what's happening with the amendments to the Audit Act and asking about the Ministry of Health entering into an agreement with the hospitals. This letter is also ready, and when we look at what the committee is doing on the hospital audits we may want to continue with that. The committee started a review of the hospital audits as outlined in the Provincial Auditor's annual report.

When the committee met in February there had been a request from CUPE Local 2001 of the Toronto General site of The Toronto Hospital asking to appear before the committee. At that time our schedule was so tight we couldn't put them on, but the committee had agreed we would have them on early in the session, so that's something else outstanding before the committee.

There's one other thing. The committee did a report on university accountability. There's been a task force on university accountability set up. They would like to meet with

members of the committee who worked on that report, just to talk about the recommendations the committee made. Obviously, because the committee hasn't been meeting, I haven't been able to make arrangements for that, but I'd appreciate some direction on that.

That's what's before the committee.

The Chair: Okay. What do you think? Any ideas?

Mr Sorbara: Just a very brief point: I'm brand-new on this committee, so having looked at the questions contained in the survey that is now a couple of months late, and not having enough background on how this committee works to provide a response of substance, I was going to suggest that perhaps you, sir, given your experience not only on this committee but on matters relating to the questions here, might consider responses for the consideration of the committee. You can obviously work with the clerk and the researchers and take advice from whomever you please and then at our next meeting simply put forward proposed responses to these questions, along with whatever commentary you choose to give the committee, and then the committee can either confirm those responses or amend them accordingly. In other words, we want to leave it in your hands.

Mr Cousens: I support what my friend the member for York Centre has just said. Just to add to that, though, I notice that in the responses, if you've changed schedule 1—you've got it asking for the answers under different columns than we normally deal with when they talk about mixed crowns, commercial crowns, some of the definitions that are used, the universal response to the questionnaire. It doesn't come through to me that we've answered it correctly by virtue of the way we've got schedule 1. Oh, I see, you've got schedules 1, 2 and 3, organizations, all different, so do the answers go right down through all the columns?

The Chair: Yes.

Mr Cousens: I don't see them following through as they should. Maybe someone could just comment on that.

The Chair: Does someone want to reply to Mr Cousens?

Mr Cousens: On the first page you've got schedule 1, schedule 2 and schedule 3, but then when you get to the second page, you haven't carried through the typing to the columns nor have you gone through each of the columns and filled them in accordingly.

Mr Ray McLellan (Research Officer): I'll just respond to Mr Cousens, if I can. When we received the questionnaire, my first step was to go to Management Board and discuss the complexities of crown corporations in Ontario. Their response to me was that it wouldn't be possible to fit this particular formatted structure to the Ontario system. They basically said what we really have to do is rely on our schedule 1, 2 and 3 format. It may be difficult for them to interpret it at the other end. My feeling is that the format that has been used here—all crowns, commercial and mixed crowns, is really based on the federal system and certainly less on the Ontario system.

Therefore, Management Board's advice to me was to go with schedules 1, 2 and 3. They in turn sat down, went through the first 25 or 30 questions and answered those questions based on schedules 1, 2 and 3. It's unfortunate that the model devised hasn't worked for Ontario and it may not work for other provinces. As I say, the questions have been answered by Management Board with some input from the Provincial Auditor's office and from the Ministry of Treasury and Economics.

That's the difficulty in answering this question. We've wrestled with it for some time. It's Management Board's advice to us to try to set it up and deal with operational agencies, which cover schedules 1, 2 and 3. The commercial crowns we are really talking about, which number about 20, including Ontario Hydro, fall into the operational schedule 2 group. They're the real commercial crowns. But as Management Board has said to me, we have to look at operational agencies. Those operational agencies fall into all groups, 1, 2 and 3, and they provide goods and services to implement approved government policies and programs. They are involved in either commercial or quasi-commercial operations. In a long story, the model doesn't fit Ontario particularly well.

The Chair: I think what we'll do is have a meeting in very short order and get something prepared to give all the committee members to consider.

Mr Cousens: I appreciate the answer Ray has given. It explains an awful lot of things. We should have clarification in the comments section or prefacing the whole report, outlining the problem we've had beyond what I see here, unless there was a document that explained some of the differences we saw. But when you're doing the response—

The Chair: Okay.

Mr Cousens: I have one more point on the selection of the new auditor. I was away last week. Was there a motion placed by the government House leader giving this committee authority to be involved in the selection of the new auditor?

The Chair: The clerk is not aware of any such motion.

Mr Cousens: Possibly, once it's made the rounds, unless this is a good time to do it, I'd like to open that up for some discussion, because I think it's going to be one of the items on our agenda. Can I do it right now?

The Chair: Let's finish up this item and we'll get right to that item.

Mr O'Connor: You have mentioned about four different items for discussion, but on the item before us that we've been talking about, the accountability of crown corporations, during the past summer the public accounts convention was on and some of our colleagues had an opportunity to go there. I believe our past Chair, Bob Callahan, and Christel Haeck and Paul Johnson from our caucus, went there. It might be beneficial for them to actually have a chance to take a look and review this as well, so maybe with the information that our Chair has suggested be gathered, some of that could be forwarded to the people who represented this committee to the public accounts

convention, and they can also review it at the same time. I will comment on the other matters as they come up.

1030

Mr Sorbara: The Chair has jurisdiction to consult with whomever he wants.

The Chair: Very good. That is a good idea. Mr Cousens, you brought up a matter.

Mr Cousens: The issue of the selection of a new auditor: I understand there is a motion coming forward from the government establishing the process by which the auditor will be selected and that it will be passed to this committee. Because of the urgency of it, I just hope it can be expedited, because I think we want to see this appointment made and the process of interviewing and selection resolved.

I have to believe that when we are talking about our agenda for the next several months, this is going to be a large part of our activity, and not to understand that before we begin—I am not trying to pre-empt any kinds of things, but I was at House leaders when it was discussed and it really will impact our activities. We should be at least cognizant of it, and maybe the Chairman could review it further with some of the members from the government caucus just to see what is happening on it.

Mr Sorbara: The problem is the choice is very narrow. It has to be a competent accountant. I have worked for an NDP government in Manitoba and there are not all that many.

The Chair: I had some experience in hiring in the process—

Mr Sorbara: It just went right over their heads.

Mr Hayes: For Mr Sorbara's information, it did not go over anybody's head over here. If he wants to start playing games, we will play games with him.

Mr Sorbara: I was just trying you out, what with carrying casinos on your shoulders.

Mr Owens: At least we've got something on our shoulders.

Mr Sorbara: Yes; it's not brains.

Mr Hayes: I think it is a good suggestion by Mr Cousens that possibly you could speak with the House leader or members of the government on that particular issue.

Mr Sorbara: Can you tell us, Mr Chairman, how a new provincial auditor is to be selected? What is the process?

The Chair: I am going to look into this, but I have had some experience on a committee when an officer of the House has been hired. The former standing committee on agencies and Legislative Assembly, which was one at one time, went through a lengthy process to hire our present clerk. I participated in that process, so I am somewhat familiar with how it can be done. We may not be able to use the exact model, but I think we can use part of it, and I certainly want to speak to all the House leaders and get their input. We may do it through a subcommittee. We may have to delegate a subcommittee, and then the subcommittee may want to narrow down the list to a manageable

level; we have a lengthy list. Then my recommendation would be that the full committee get involved.

Mr Sorbara: I take it, though, that there is nothing in the standing orders which charges this committee with any responsibility whatever, or is that not the case?

Clerk of the Committee: If I could just answer that, I have done a little bit of research on this. As far as it goes, the Audit Act says the Chair of the standing committee on public accounts will be consulted on the nominated person, with that name. That is the only reference there. There is nothing—

Mr Sorbara: I am sorry to interrupt, Tannis—will be consulted about the nominated candidate?

Clerk of the Committee: Yes. That's all the Audit Act says. The standing orders don't say anything about this at all. The only other reference we have is a report of the standing committee on the Legislative Assembly, in 1985 I believe, which dealt with the selection of officers of the House. Again, it was just that the selection process would be done separately, but that the committee would be consulted, again reviewing the successful candidate. So there is nothing in our standing orders that gives us any reference to do this. That is why we need a motion from the House outlining what the committee is to do.

The Chair: There was a report—I believe it was 1985 or 1986, and there may have been one earlier than that—from the standing committee on the Legislative Assembly which highlighted five or six different positions within government that should go through a committee. If memory serves me right, the Clerk was one, the auditor was another one, the Ombudsman; the chairperson of the Commission on Election Finances was placed on that list. There was consensus at the time that these individuals, when they were considered for these positions, would go through the committee, which looked at how a Clerk should be hired for the assembly.

The committee went through a lengthy process. It worked very well. I can't remember any significant problem that we were unable to overcome. It was secret ballot by the members. We had a lot of discussion. The subcommittee did some work. The full committee did the rest of the work. It was done in fairly quick order and we had some terrific individuals apply from all across Canada.

Mr Sorbara: Given the fact that you, sir, are the only person mentioned in the legislation in any respect and that you have a key role, if need be I would put forward a motion that you consult with your colleagues, the various House leaders and whoever else it is necessary to consult, and and, based on precedents, some of which you've mentioned, bring to this committee a process for consideration that you're satisfied with for the selection of a new Provincial Auditor. You are mentioned there. The rest of the world is sort of ignored, so I guess you have a lead responsibility.

Mr Cousens: I don't know about other caucuses, but our caucus has already raised the subject because it has been raised to House leaders on more than one occasion. My understanding, unless there's been some change—the fact that there hasn't been a motion brought forward by Mr

Cooke leads me to believe there may be some movement away from the original position. I don't think there's any great breach; we're just talking process at this time. My understanding was that the government was going to have the public accounts committee responsible for the selection process, so that out of the discussions we have here, inasmuch as the position doesn't report to the government, but to the Legislative Assembly, it really has quite a different role to play.

We heard Mr Cooke saying that the government was going to give the responsibility of the selection to this committee. If that's the case, and I think that's a very appropriate approach, then the real point is that when we're planning our time for the next three months we should take that into consideration because it's going to change our legislative agenda somewhat. Probably nothing could be more important for the next period of time than to make sure the right person is in place as auditor.

Mr Sorbara: Once again, if that's the case, I suggest the Chair's responsibility is to—

The Chair: There's a motion on the floor anyway, Mr Sorbara. I guess we're speaking to that motion. Mr Sorbara's motion, if I can recount it, was that I contact the House leaders, explain to them the situation we find ourselves in and see if I can get any direction from them. Once I get a direction, I'll bring it back to the committee for discussion.

Mr Sorbara: With respect, my motion wasn't that you seek direction from them, but having consulted with them—think you're mentioned in the legislation, so I think you have the pre-eminent responsibility to bring forward a process for consideration. In other words, it's not a matter of taking your marching orders, but having consulted with them and reviewed the precedents, it is to bring to this committee proposals for procedure to retain a new Provincial Auditor.

By the way, while I have the floor, our friend Doug Archer is now no longer with us or is about to retire or has retired.

Mr Cousens: A long time ago.

Mr Jim F. Otterman (Assistant Provincial Auditor): December 25.

Mr Sorbara: Oh, that's right.

Mr Otterman: I think you missed the gathering.

Mr Sorbara: Of course, I missed the gathering. I'm sorry about that.

Mr Cousens: We had a lunch to bid him farewell on your behalf.

Mr Owens: With due respect, in regard to Mr Sorbara's motion, I believe Mr Hayes gave the committee an undertaking that he would approach the House leader to make a determination as to what the process is going to be at this point. I'm just wondering if the motion may be a bit premature until this committee discovers what the process will be which, if Mr Cousens is correct in his statements, will take into account the points Mr Sorbara is attempting to make in this motion.

1040

Mr Sorbara: If I may comment, I don't think those facts are inconsistent with my motion. I just want to make sure that the Chair—we've just elected a Chair—that these matters, whether coming through Mr Hayes or—

Mr Owens: With due respect to your Chair, I think he understands his role quite sufficiently and I'm not sure that a motion is needed for Mr Mancini to do his job as per the Audit Act or any other—

Mr Sorbara: No, we're asking him to bring forward to us the procedure that will be used. Obviously the government, with its majority, will have a very great impact on what that is, but we're asking him, through this motion, to put before this committee the procedure that is being proposed for our consideration and our adoption and ultimately our approval. That's all.

Mr Cousens: I understand the intent of Mr Sorbara's motion, and I don't really mean to hurt his feelings, but—

Mr Sorbara: I'm going to be shattered if you disagree with me.

Mr Cousens: I am about to disagree with you. To me one of the things that can make this committee work much more effectively is if there is a consensus gathered and the Chairman can go and do his thing without having a formal motion to make it happen. It would give us a chance to test the Chairman's ability to see what he's going to do on this one. We can then wait for him to come back. The motion isn't offensive, but it really gives our Chairman a chance to play a bigger role in how the committee can function effectively. I'd rather just give him that option.

Mr Sorbara: I'll withdraw the motion if you're going to do it anyway. That's fine.

Mr Cousens: I think that's what we're saying.

Mr Sorbara: I don't care.

Mr Cousens: I don't want to hurt your feelings.

Mr O'Connor: On the motion, at this point I've got two of my colleagues from York region here and they both seem to be taking similar but different views. I agree that since I've been on this committee it has always tried to gain a consensus working around whatever issue we've been grappling with in respect to the Provincial Auditor's report. I think the direction the Chair set out initially in his statements that he would like to proceed in is a very wise direction. The Chair has already shown his capabilities.

The Chair: Okay. We'll do the best we can with this issue and we'll have something to report back to you. Maybe what I'll ask to have done is have the legislative library review the records.

Mr Cousens: Don't bother. Cooke—

The Chair: No, don't bother?

Mr Cousens: He might be doing it today.

The Chair: No, but it might be good for the other members just to see how it was done.

Mr Cousens: Just make it happen.

The Chair: Make it happen? Okay.

Mr Sorbara: It's your role; it's not Cooke's role.

The Chair: It's my role. Right, I understand.

Mr Sorbara: You're mentioned in the legislation; he's not. But they're the majority. Obviously you play a role identified by the legislation. They have the majority and they're going to get their way, but you should be reporting to us as to what the agreed-upon procedure is. That's all I'm saying.

The Chair: Okay, that will be done.

Clerk of the Committee: If I might just get some direction from the committee so that I can set the committee's agenda for next week. Do you want to do the two draft reports that are prepared and get those completed?

Mr Sorbara: What are those again?

Clerk of the Committee: One is on substance abuse. That was what the committee was studying last summer and fall. The second one is an annual report covering 1990 and 1991.

Mr O'Connor: Those were the other points that you had raised earlier. On the report on substance abuse, which was discussed earlier, I was involved in that process from the beginning and I felt that I would like to have an active part in discussion in the committee, so I appreciated the committee deferring it until some of us members who did have an opportunity to take a look at the drug treatment facilities had an opportunity to be involved in writing that report. I appreciate that.

There are a few other items you had mentioned. One was the review by bringing in someone from CUPE. Whenever that's possible to fit into our schedule, I think that would be quite useful as well. There was also some discussion around the Ministry of Colleges and Universities. In reviewing the Provincial Auditor's report dealing with universities and colleges and seeing how this committee had made recommendations to the ministry, I think it would be quite useful for us to take a look at the reporting mechanisms that they have put in place and the follow-up, so that would be quite appropriate. I think the committee would appreciate the opportunity to review that as well.

The Chair: Okay. I want to make sure that whatever agenda we prepare for ourselves on a weekly basis is something that we can accomplish. We usually set aside a couple of hours every Thursday morning. If it's necessary, we can reconvene Thursday afternoon.

Clerk of the Committee: No, we can't.

The Chair: We're not able to do that?

Clerk of the Committee: No, we only have permission to sit Thursday morning.

The Chair: Then that restricts us even further, so maybe we should take bite-sized chunks so that we have a feeling of accomplishment when we leave the room here. I heard what you said and we're going to work towards that.

Mr O'Connor: The reports might be useful for us to go through at this time.

The Chair: We will certainly do that.

Mr Sorbara: I feel fine about dealing with those two reports next week. My problem is that I'm new on this committee and I don't know how the general flow of work

comes to this committee, what the real nature of its work is except from what I've heard sitting in the Legislature. So perhaps you—or if you would prefer to have the clerk describe generally how this committee proceeds, what is the substance of its work, how that work gets to the committee and how it's generally dealt with etc.

The Chair: I've seen it proceed in many different and interesting ways. I think we're going to follow the historic pattern that this committee has used over the last decade or two. There are going to be many interesting subjects brought to our attention that we're going to decide to look into.

Mr Sorbara: If I might interrupt, can we do that on our own motion? Bills are not referred to this committee, I take it.

The Chair: No.

Mr Sorbara: We can do it on our own motion?

The Chair: I believe we can. I believe there is historical precedent for that.

Mr O'Connor: In fact, it gives us an opportunity to review what the Provincial Auditor has pointed out in his report and see areas that piqued the interest of committee members. All the committee members have an opportunity, on the basis of consensus, to then decide exactly what area we'd like to delve into. It has been a very good committee as far as working on consensus and being non-partisan in nature. It's actually a very interesting and relaxed atmosphere to deal with government business in.

The Chair: As was said, we look at anything that the Provincial Auditor has done in his report and we can look at any expenditure. That's what public accounts is all about.

Mr Sorbara: The Provincial Auditor's report is generally brought down—help me out here.

Mr Otterman: Late November.

Mr Sorbara: Late November, so that the sitting time post-late November, I guess in the winter months and in the spring months, is often devoted to consideration of the auditor's report. Is that the case? Is there any work done in this committee leading up to the auditor's report? In other words, does the auditor refer questions to this committee in anticipation of writing the annual report?

Mr Otterman: He hasn't done in the past.

Mr Sorbara: Does he generally attend this committee and is he available to do questions on matters within his competence?

Mr Otterman: Yes.

Mr Sorbara: To use an example, obviously the issue of the day/week/month/year is the government's determination to establish casino gambling in the province. If we were to want to examine in detail the economic impact and the economic effect of such a radical change in our lifestyle and how we raise revenues here, could we do that and could we acquire the information necessary and command that information from a variety of ministries?

1050

The Chair: I'm going by memory only and by past practices. I think once funds start to be expended this committee has the opportunity to see how those funds have been expended and whether we believe they've been expended properly, meeting whatever guidelines and criteria exist within government. It's not necessarily the responsibility of the public accounts committee to discuss the policy initiatives. However, may I add, when you're expending funds, it is difficult to talk about the expenditure of these funds without its impact on policy. But the policy is not the primary goal of the committee.

Mr Sorbara: I have a problem there with "the expenditure of funds" and what exactly you mean by that. Funds have already been expended. Apparently cabinet has already approved this measure in principle and the government is about to announce something. From my own experience in government, that means that funds have been expended doing public opinion surveys to see the political impact of diverting from previous principles within the government party, funds have been expended within ministries to write up cabinet submissions and consult with the various entities that are going to be operating these casinos, and obviously surveys have been done to determine whether Sarnia or Cornwall or Ottawa or Metropolitan Toronto is an appropriate site. Money has been spent.

The Chair: Nobody in Windsor wants the casinos.

Ms Christel Haeck (St Catharines-Brock): Mr Chair, on a point of order: I understand that Mr Sorbara is jumping to some conclusions here, and for all the comments that have been made, and I think that in reality—I understand he has made up his mind on a number of things—

The Chair: The point of order is?

Ms Haeck: —but between the Premier and the minister involved, no decisions have been made.

The Chair: Thank you, that is a point of information. It's not a point of order.

Ms Haeck: I think it is unrealistic to—

The Chair: Order, please.

Mr Sorbara: I guess my point is this—

The Chair: Order.

Ms Haeck: No, no. I think really it has to be made clear to—

The Chair: We need order in the committee in order to function properly and the member is now out of order.

Ms Haeck: —understand that in reality we have been very non-partisan—

The Chair: Turn off the mike, please.

I want to remind the member that I don't call for order for my own sake; I call for order for the proper procedure of the committee. I asked you three times to place your point of order. You refused.

Mr Sorbara: Mr Chairman, if I might just continue with that, we're trying to set our agenda, and I—

The Chair: Order. The most recent copy we have of the standing orders of the Legislative Assembly is October

1989. I suggest we all look at it. If we go to page 34, 104(j), it says very clearly, "Standing committee on public accounts which is empowered to review and report to the House its observations, opinions and recommendations on the report of the Provincial Auditor..." So everybody understands that. The auditor does his report and we can do whatever we like with it, working with the auditor and his staff.

Then it goes on to say, "and the public accounts"—which means the expenditures of the government—"which documents shall be deemed to have been permanently referred to the committee as they become available."

There may be documents available somewhere in some ministry that refer to the matter of casinos, but I want to reiterate to all committee members that we are here to review the expenditures. We're not here to study the policy initiatives of the government. The only caveat I add is that it's very difficult to review expenditures without in fact having some discussions on the policy. You can go from committee to committee and you can have sat on this committee for 10 years and you will realize that that's how it works.

I didn't realize casinos were going to be on the agenda this morning. In fact it isn't, but if we want to talk about that at some future date, we're going to have to follow the procedures that are available to us in the standing orders. I think we can come to a joint conclusion as to how we're going to look at that, if in fact we are going to look at it.

Mr Hayes: I agree with the comments you've made. My understanding of being on this committee, just to expand it somewhat, is that we should be dealing with agencies, boards and commissions—those kinds of expenditures. I find it hard to sit here and start discussing issues or policies that we assume are already taking place or are going to take place. I'm a little bit concerned here, because I think what we have to do is that we have some work we have already started dealing with, with substance abuse and with some of the hospital boards and school boards and things of that nature that we have on the agenda. I hate to see us sway from that agenda on something that we assume may happen or may be happening.

Mr Sorbara: Mr Chairman, every time I raise this subject or broach it, I am being accused of being partisan and somehow violating the rules of the game. We're sitting in a Legislature. We're dealing with public policy. I have been the Minister of Consumer and Commercial Relations and I know that if a government wanted to, it could, under the laws governing charitable gaming, establish a whole series of casinos right across the province, having a significant impact, I believe, on the quality of life in this province. I'm against it.

I know that can be done without a bill being presented in the Legislature, without any committee ever being given an opportunity to look at the details and without any study or any consideration by elected officials, so yesterday in estimates and today in public accounts, I am searching for a forum where these matters can be discussed in an open and public way in the Legislature by the elected officials of the province.

I am incredulous that government members somehow find that offensive and think I'm trying to be political or partisan. We are politicians and these issues are important to the public. People on the radio this morning said, "If Bob Rae wants to have casinos, he didn't propose that in the election and he should have a referendum." I'm just looking for the context where this matter is going to be debated. I don't know whether cabinet has made a final decision. What I know is that there was nothing in the throne speech, and the whole province is abuzz with the fact that there is about to be an announcement.

My understanding of the democratic process is that before you impose that sort of major shift on the province, you present legislation, you consult, you have a public debate within the democratic councils of the province. I would like an opportunity to do that here. From what you said, Mr Chairman, I see that we could look at the expenditures of the Ministry of Consumer and Commercial Relations in respect of charitable gaming, because they do expend money there, and we could use that as the context to look at the public accounts of charitable gaming, and coincidentally the proposal for casinos.

I just want to put the government members on notice. If you think this decision is going to be made without a public debate going on someplace in this building and a public debate going on in every riding in the province, you've got another think coming.

The Chair: We could also wait until the one in Windsor opens up. Then we could go down there and see how it operates.

Mr Sorbara: We could do that as well.

The Chair: We could do that too.

Mr O'Connor: After having sat on this committee for quite a few months, and since I've been a member of the Legislature, I've noticed that we've always dealt with the Provincial Auditor's report, dealt with finances. At times there were finances that the committee deemed were somewhat in question, as the Provincial Auditor pointed out, and upon reviewing his audit we have decided we would delve into that matter.

The discussion this morning seems to be debating policy. It seems to me, as a member of the Legislature, that questions of this nature happen and there is debate. The member opposite is quite right. There will be a lot of debate happen should this come to be the end result.

1100

Mr Sorbara: Can I just interrupt to ask—

Mr O'Connor: Question period is the time for that sort of debate. The consensus building of this committee, dealing with all the interesting arguments—we do get the chance to bring witnesses in the matter—in reviewing the Provincial Auditor's report, has always been very fascinating. It's been one that has been able to carry on despite whatever issue members would like to have brought for discussion in the Legislature during question period or whatever forum, whether they'd like to introduce opposition resolutions or motions or have an opposition day. That takes place in the Legislature.

In this committee we've always dealt with the Provincial Auditor's report, had discussion around it, and it's been less political as far as the nature of the issue of the day has been concerned. I'd like to see us continue in that nature. The committee has worked and operated very well in that nature, and indeed when committees do sit debating legislation, then the rhetoric certainly does fly, and it's much more appropriate when you're dealing with a piece of legislation.

Mr Chair, in the very near future, I hope we can review the substance abuse report this committee has worked on. Regardless of what our other duties are within the Legislature, this committee has always been able to deal with the mandate it has placed before itself. I hope we can continue in that nature.

The Chair: It's very clear what our mandate is. We can review the report of the Provincial Auditor and all the public accounts. To me our mandate is very wide-ranging, and if it's the wish of some members to review the expenditures or non-expenditures for the spraying of the gypsy moth, we can do that. If it's the view of some members that we review the expenditures or perceived expenditures involved in casino gambling, I believe we can do that. If it's the view of the committee that we review the work that has been done and completed before us, we can do that also. We're going to carry on.

Mr Robert Frankford (Scarborough East): I'm a new member of this committee and I certainly appreciate the opportunity, because I think accountability is extremely important. As you made clear, the mandate is around reviewing accountability of programs, agencies, boards, commissions and ministries etc, any government expenditures which obviously come into existence as a result of policy, which of course can and will be debated in the House, either in the introduction of bills or question period, or outside the House in the media. I'm very much looking forward to participating in this committee.

The topics that will come up, like drug-related university accountability and hospital accountability, are of very great interest to me. I think these are extremely important issues around the provincial budget and overall expenditures. I think we have our work cut out in these areas and I certainly hope that while concentrating on these discrete areas, we will be able to have a significant impact on the overall government expenditures and policies.

The Chair: Can I just say that over the years I've noted that a good number of people don't like the work of the standing committee on public accounts, because they

don't want anybody to know what they're doing with the government's money and the taxpayers' money. To those people who feel that way, I say, "Too bad." We're here to review the expenditures wherever we wish to and wherever the standing orders of the assembly allow us to. I don't believe this committee is going to have any problem finding a lot of work to do. I really don't.

It's now 11:05. I'll have an agenda prepared for all of you well in advance of next week's meeting. I've heard the discussion this morning. We're going to be dealing with the—sorry, Mr Tilson.

Mr David Tilson (Dufferin-Peel): Just on that topic, Mr Chair, with respect to the agenda my assumption is that we will continue with preparing a report on substance abuse.

The Chair: Yes.

Mr Tilson: There has been a list of items we could discuss in the future that is probably out of date and old at this stage. There are also a number of new members. I assume that perhaps the clerk will be requesting a list of topics. I take the position that with the amount of work this committee has done on substance abuse, that would continue.

The Chair: I think that's an excellent idea.

Mr Tilson: But I assume as well that we would all have an opportunity to prepare a list and submit that to the clerk for presentation and that list would be discussed in due course.

The Chair: Can I ask that the subcommittee members, in consultation with your own caucuses, prepare a short list so that we can make one comprehensive list, and then the committee can decide. With some give and take, I think we can do something of what everybody wants.

Ms Haack: Has there been any date set for the subcommittee?

The Chair: No. I will let you know as soon as possible.

From listening to the committee, the first item of business next week is going to be the review of the substance abuse report. In the meantime, I hope to have had a meeting of the subcommittee, and I am asking all subcommittee members to make up a new, updated list of what you wish to look into and what the committee should consider for its work over the weeks and months ahead. That can contain any number of things which may be of interest to all the members.

I want to thank you for coming this morning.

The committee adjourned at 1106.

CONTENTS

Thursday 23 April 1992

Election of Chair	P-1
Election of Vice-Chair	P-1
Business subcommittee	P-1
Committee business	P-1

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Chair / Président: Mancini, Remo (Essex South/-Sud L)
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Frankford, Robert (Scarborough East/-Est ND)
Haeck, Christel (St Catharines-Brock ND)
Hayes, Pat (Essex-Kent ND)
Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
O'Connor, Larry (Durham-York ND)
Sorbara, Gregory S. (York Centre L)
Tilson, David (Dufferin-Peel PC)

Substitutions / Membres remplaçants:

Murdock, Sharon (Sudbury ND) for Mr Johnson
Owens, Stephen (Scarborough Centre ND) for Ms Haeck

Also taking part / Autres participants et participantes: Otterman, Jim F., Assistant Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service

20N
21
72



P-2

P-2

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Clerk: Tannis Manikel

Président : Remo Mancini
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Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

Index inquiries

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 7 May 1992

The committee met at 1007 in room 228.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1991

Consideration of section 2.8 of the Provincial Auditor's 1991 annual report regarding the inspection audit of the Toronto General division of the Toronto Hospital.

CUPE LOCAL 2001

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order as I see a quorum. The standing committee had promised Local 2001 of CUPE that we would hear its views. They have been kind enough to join us this morning. We have with us this morning Roman Schyngera, president; Al Wahid, president, Local 1744, Toronto Western Hospital; Steve Eadie, secretary-treasurer, Ontario Council of Hospital Unions, and Roy Flemming, Local 2001.

The committee had previously agreed to allow the representation this morning to conclude within one hour. I believe we'll break it down to 30 minutes for your presentation and 30 minutes for questions and answers. So I'd like to turn the floor over to you.

Mr Roman Schyngera: If I may, can I give the copies of the brief?

The Chair: Absolutely.

Mr Schyngera: First of all, I'd like to thank the committee for inviting us here. I'd like to introduce—oh, I guess you've introduced us.

The Chair: You can do it again.

Mr Schyngera: I'll dispense with that, if I may, then.

I'd like to note just a couple of corrections to the brief. I want to apologize. We didn't realize it was the committee "on" public accounts rather than "of" public accounts on the first page. There are a few other references, if you will bear with me. When we talk about the Charlie Conacher wing through the brief, it'll be the Max Bell wing. It was an error there. When we talk about the tropical disease unit, it should be referred to as a high-isolation unit. It's the generic name, I guess.

The Chair: When you get to those points, you can help us along.

Mr Schyngera: Okay. There was a time when the Toronto General Hospital and the Toronto Western Hospital were vibrant and flourishing members of the health care community. Prior to the merger of the Toronto General and Toronto Western hospitals in 1986, Toronto General Hospital had a staff of approximately 6,000 to 7,000 employees, of which 1,500 were represented by CUPE. Toronto Western Hospital had approximately 4,500 employees, and CUPE represented 800 of those employees. The two hospitals had approximately 1,800 beds between them—Toronto General had approximately 1,000 and the Toronto Western Hospital

had 800 beds—and combined operating budgets of over \$280 million.

This was the time before the merger that was allowed to take place between the Toronto General and Toronto Western hospitals in 1986. These hospital administrations claimed that about \$2.5 million could be saved by amalgamating the two institutions. There are some references to appendix 1 there to look at. It was claimed that if the administrative services for the two hospitals could be amalgamated there would be benefits from economy of scale—that is, it would cut down on the number of staff needed and mass purchasing could be done at a lower cost for both hospitals.

As will be seen in the rest of this brief, these cost-saving theories have not proven to be true. In fact, the number of administrative staff at the two hospitals has increased since the amalgamation, at the cost of decreasing the front-line service employees and of bed closures. The proposed cost saving for bulk purchasing has also not materialized. There has been a series of costly purchasing choices that have proven to be ineffective and a waste of valuable resources.

We have five basic recommendations we believe will be an effective way to bring the Toronto General and Toronto Western hospitals back on track, as well as being a good plan for the future of health care in Ontario.

1. We call on the provincial government to launch a royal commission into the future of health care in Ontario, one that will accept input from not only the employees involved in health care but also the users of health care in this province and the communities that benefit from having health care facilities.

2. We would like to see a moratorium on job cuts or layoffs in the hospital sector for at least two years, until we can sort out the long-term reform of our health care system.

3. We believe it is time for an impartial investigation of the financial dealings of the Toronto Hospital dating back to the merger, one that is similar to the recent investigation carried out at St Michael's Hospital.

4. We believe the hospital should be required to be part of an open financial registry, which would allow the citizens of Ontario to be sure of where their money is being spent at hospitals. This should be accompanied by an equally open tendering process for contracts or moneys that are to be given by the hospital.

5. We believe full democratization of all hospital boards in this province is required. The current arrangement which gives the board of directors and trustees control over hundreds of millions of dollars of public money is an unacceptable arrangement. It should be required that these officials be responsible to the citizens of Ontario.

When the merger between the Toronto General Hospital and Toronto Western Hospital was first proposed, many business efficiency arguments were put forward as the reason

why the merger should go ahead. There was no effective consultation with the members of the community that is serviced by these hospitals, nor was there effective consultation with the employees of the hospitals. The two boards of directors claimed this was a cost-saving measure that would greatly benefit both hospitals and proceeded with the merger as if that was the only consideration. There were constant statements to employees that no jobs would be lost and they should trust management to take care of their interests. See appendix 2 in this regard. As we have seen, this was a false promise.

As well, management made representations to the public that both hospitals would continue to be general service hospitals that would provide basic care to everyone. This turned out to be a false promise. In November 1991 the board of trustees of the Toronto Hospital, which is now the name given to the combination of Toronto General and Toronto Western hospitals, approved a new mission statement for the hospital which states that they no longer will be full-service hospitals. Rather, it establishes a number of specialization areas of the hospitals. See appendix 3 in that regard.

In addition, the Toronto Hospital has laid off over 300 employees in recent months from CUPE and Ontario Nurses' Association bargaining units. There has been a decrease of staff in all of the bargaining units at the Toronto Hospital through both layoff and attrition of employees. That is, when an employee leaves for any reason, he is not replaced. As well, the Toronto Hospital has shut down approximately 145 beds in the past months, in addition to the 200 beds that were closed in 1990. Due to attrition and closings, Toronto General Hospital now utilizes approximately 650 beds at its full capacity and Toronto Western has 230 beds. This is a considerably smaller number of beds and staff than were in place at the two hospitals in 1986.

Management has projected that there will be a \$7-million to \$15-million deficit for the Toronto Hospital—this figure, by the way, is based on the 1991-92 calculation that we were given back in November—although this figure is constantly under adjustment and it's difficult to know exactly where the possible deficit may be. According to the most recent documents from the Toronto Hospital, with payments from the Ontario government with respect to pay equity and other promised funds it is possible that there may be no or very little deficit from the coming fiscal year of 1992-93. However, it is difficult to judge from the hospital's budget whether this is a realistic expectation on its part. See appendix 4 in regard to the budget. This is a problem with hospital administration in this province that will be dealt with later in these submissions. There will likely be a deficit for the fiscal year 1991-92. This is a first such deficit for the Toronto hospitals in many years. The question is, where have all of the proposed savings gone?

When one examines the situation at the Toronto General and Toronto Western hospitals, a very real question arises as to why the savings have not materialized. There needs to be an independent investigation to determine if there has been mismanagement on the part of the board of directors and trustees of this institution. There does appear to have been inappropriate and excessive spending. Conflicts of interest have developed that are indeed staggering.

What is very apparent is that the supposed advantages of the merger have not emerged. Indeed, matters have worsened at both hospitals since the merger. The business efficiency model that has guided the management of these hospitals and which pushed for the merger has proved to be a great failure. They ignored the wishes of the employees and the community when they entered into this merger. They are still ignoring the concerns of their staff and community. The point is that management is ignoring these concerns because it can. There's no democratic accountability for their actions and for the way they have used public funds. The merger was pushed on to staff at the hospitals, and now the staff is having to pay the price of the merger. Clearly, someone other than the boards of hospitals needs to be making decisions about the future of our hospitals and our funds.

The spending that has gone on at the Toronto Hospital is truly astounding. We will document below just a few of the many spending habits of the hospital that raise serious concerns about the use of public funds. Since the merger there has been extensive and continuous contracting out of maintenance and renovation work at both the Toronto General and Toronto Western hospitals. F. D. Begley and Associates has been given a considerable number of contracts by the hospital administration to carry out numerous projects, and it is unclear the dollar value of the work that has been awarded to it. In fact, on the corporation information that has been filed with the Ministry of Consumer and Corporate Relations, the address given for F. D. Begley and Associates is 200 Elizabeth Street, which is the mailing address for Toronto General Hospital (Appendix 5).

I may note here that the auditors were told by the hospital when we went to lobby them some time ago, back in early 1990, that Begley didn't exist as far as an entity within the hospital is concerned. After going through three corporate searches, we found that indeed the address of F. D. Begley had been in our hospital and has been part of our hospital since roughly 1983. That's just for your notation and it's part of the appendix.

1020

This company has been reaping what are believed to be enormous profits from its activities at Toronto Hospital. Many of the jobs that have been contracted out to Begley and its subcontractors could have been done by plant operations departments at both hospitals at a much cheaper cost and time efficiency. The employees of plant operations have spoken to the union about countless examples of contracted work that has had to be redone because it has been done poorly or because it was done in an unsafe manner.

It is difficult to estimate the final amount the hospital has paid for all the work that Begley and Associates has done at the hospital. In the past four or five years Begley and Associates has been involved in major projects in every building in our hospitals (for example, see Appendix 6).

While more and more work has been given out to the contractors, the plant operations staff has been reduced to about 30% at the hospitals. The plant operations staff could do the same work for approximately \$18 per hour, which is their rate of pay under the collective agreement, whereas the cost to have Begley and Associates complete

the work is from \$30 to \$65 an hour. There is no reasonable explanation for why so much work has been contracted out by the hospital administration.

The hospital administration has told CUPE that all work by Begley and Associates has ended and all capital projects will cease for the next five years. However, Begley employees and subcontractors are still at the hospital completing work on projects that have already been started and there's no reason to believe that Begley and Associates will be leaving the hospital premises in the near future.

In this time of financial restraint and cutbacks at the hospital, all possible savings measures should be utilized and this includes having in-house maintenance done by staff of the hospital rather than contractors. Since this report was written, Begley is in fact vying for other contracts in the hospital that we know of at the present time.

Many years ago the process for the operations staff and management was to sit down and go over the bids and possible work that would be required of contractors. There were consultations to decide whether it would be feasible to proceed in that manner. With the Begley contracts, there was no discussion with staff as to whether this was a viable alternative. In fact, there was no open tendering process at all.

No one knows whether in fact Begley had the lowest bid for the work at the hospital and no one really knows what the true cost of having this work contracted out has been. Secrecy in the use of hospital funds must end. Also, the use of contractors at the hospital should end immediately and any work that needs to be done given over to plant operations departments at both hospitals.

The situations that are described in the following pages are just a few examples that raise questions of poor management and lack of quality assurance by the hospital and its administrators.

This is where the tropical disease unit should be noted as a high-isolation unit for specific reference. We always refer to it and that's why we put it in there as a tropical disease unit.

The Chair: It's the what again?

Mr Schyngera: It's the high-isolation unit. It's intended for exotic types of diseases they were going to study and were funded for, I believe.

The unit was built at the hospital. Approximately \$11 million was spent on the unit that was meant to be a high-isolation unit. However, when it was built, the plumbing from the unit was not kept separate from the existing plumbing in the hospital, with the result that it cannot be used. By the way, there's more to that. There were knobs that were left inside which would have contaminated people. The dial systems and knobs should have been on the outside. So it was a mess from top to bottom in how they'd completed the project.

It appears this \$11 million has been spent on something that will never be used because of the poor planning in the development of the unit. Likewise, the Charlie Conacher wing, which should be referred to here as the Max Bell research wing, was built at a cost of approximately \$26 million and has hardly been used since it's been built.

A revolving door at the Toronto General was obtained free by the hospital administration in Nevada at a gambling/gaming house that was going bankrupt at the time. Somebody got it for free because they were closing down there. This should have meant a great cost saving for the hospital. Instead the renovations associated with the door have cost approximately \$1 million. From the time of its installation the door has never worked properly and the hospital has had to pay for a maintenance employee to come up from the United States to fix and maintain it, as well as the cost of normal maintenance (Appendix 7).

The door was built to be used in the American south and no one knew whether it could actually work in the winter weather of Canada. In addition, the hospital had to build a sliding door beside the revolving door to accommodate wheelchairs. This was a problem that was anticipated by staff before the revolving door was put in, but the administration proceeded with the revolving door at this great cost.

The clocks at the hospital were recently replaced so that digital clocks are now in use, at a cost of approximately \$1 million. Surely this was an expense that was not needed at this time.

New electrical beds were recently purchased for the intensive care unit at Toronto General Hospital at a cost of approximately \$1.2 million for approximately 60 beds. Initially the plan explained to the staff was to buy five of these beds, as well as others, and give them a trial period before deciding on a model to buy. Instead the hospital went ahead and purchased 60 beds without consulting the employees working in the unit. The beds that were bought do not work properly and are already requiring a great deal of maintenance after less than a year in use. This is another example of the hospital administration ignoring the wishes of staff and proceeding with the costly purchase of something that is not what staff required.

As well there has been a mass purchase of beds for other wings of the hospital. However, since many beds have closed in the hospital, these new beds are not now needed, and someone has failed to cancel the ordered beds for the units that are no longer open. Approximately 50 of these new beds, and I've heard there are more, are now stored and not in use in the Max Bell wing, at a cost of approximately \$10,000 to \$15,000 for each bed.

There are seven skids of new and unused IMED pumps that are stored in a wing of the Toronto General. They're not being used because the doctors do not like to use this kind of pump that the hospital bought. They're also not in use because the hospitals have reduced the number of beds by 500, and so there is not a great demand for these pumps. The pumps cost approximately \$2,000 each. Money has been spent for products that will never be used.

By far, however, the greatest apparent waste of funds in recent times has been the purchase of the computer system. The hospital administration has spent \$85 million, on the direct purchase of the system itself, for a computer system that does not work. This figure does not include the cost of increasing the complement of clerks to deal with the computers while decreasing the number of front-line service personnel at the hospitals. There have been numerous and

very serious problems with the system. There have been patient files that have got lost; there have been billing statements and billing accounts that have been mixed up or lost in the system.

Overall it is a computer system that does not work. What is worse is that it is a computer system that staff do not want and cannot use. Each department has developed its own internal system, and the proposed benefits of an integrated computer system have disappeared because of the poor system that the hospital has attempted to force on staff (Appendix 8).

As a result, we know of computer terminals being stored in the basement of Eaton Building at the Toronto General and the Toronto Western Hospital. These are computers that have never been used and probably never will be. As well, we know of computer terminals that have been compacted and destroyed before they have ever been used.

We are aware the hospital cannot return to the days of paper and pencil. However, surely there is a computer system that is reliable for the hospital. The one that has been put into place is not working and in fact is a detriment to the hospital and a risk to patient safety.

We have seen documents showing that operating money has been used to cover the cost of computers, which should be a capital cost (Appendix 9). This is a reverse of what was done at St Michael's Hospital, where they were borrowing capital funds to cover operating costs. In either situation, funds are being used for purposes they were not designated for.

This computer system is useless and is actually dangerous for patients. On top of the initial \$85-million cost of this system, it was purchased from California and cannot be serviced locally, which also increases its cost. A \$5-million computer mainframe, which is unusable, was bought to go into the system. It has been sitting, uncrated, for many years in the loading docks. This mainframe was bought from a manufacturer in Korea in anticipation of an acquisition of a computer system. However, the mainframe cannot be installed because it does not meet CSA standards for electrical equipment.

All this can only lead to the asking of questions as to whether the hospital administration has mismanaged an immense amount of money and is now unwilling to discuss with staff a way of making the system workable. There are numerous examples of poor purchasing and bad administration by the hospital, as seen above. We have beds that are not used and are stored, equipment that doctors do not use because they do not like it and so it is stored, and there are many other examples at the hospital. Mass purchasing, because of the merger, was supposed to be one of the areas where money could be saved, but because of the poor management of the hospital administration, purchasing is actually a drain on the resources of the hospital. This cannot be allowed to continue.

1030

The hospital administration also claimed that by amalgamating the administration functions of both hospitals, much money could be saved. However, instead we have seen the clerical staff at the hospitals increasing since the merger. At the time of the merger the clerical staff was

approximately 500 to 600 full-time employees. In 1991 the clerical staff numbered approximately 900 full-time employees at TGH.

There has been an equally dramatic increase in the number of part-time clerical staff. This has happened at the same time that approximately 600 beds have been closed and hundreds of front-line service positions lost to layoffs or attrition. It seems apparent that the hospital does not have a priority of patient service. By its actions, the hospital has shown that it is more concerned about pushing paper than about the care given to patients in their hospitals. Patients seem to come second in the model of hospital administration that has been set up at Toronto Hospital.

Toronto Hospital estimates it may be \$7 million in the red for the fiscal year 1991. Those estimates have also gone up to as high as \$15 million. No one knows what the deficit truly is because the hospital refuses to let anyone look at its books.

Provincial Auditor Douglas Archer reported major problems when he tried to do an audit at Toronto Hospital in 1991 (Appendices 10, 11 and 12). He said that management was unable to document any savings from the merger and had also refused to allow him access to certain documents. The hospital's response was that the Provincial Auditor only had the right to look at how provincial funds were being spent and not at how money from other sources was spent. They said that since computer equipment was purchased with funds other than ministry funds, they did not give him access to the records in relation to the computer purchases. They also claimed that they could point to savings of \$3 million to \$5 million a year because of the merger, but they do not track these savings.

This is clearly an untenable position to allow the hospital to maintain. Even if it is true that ministry funds were not used in the purchase of computer equipment, it is important to know what funds were used for that purchase and whether ministry funds had to be used to cover another cost that would otherwise have been covered by funds wasted on the computer purchases. Especially since the computer system has been so widely criticized by the staff and the union, the hospital should have opened its books and made it clear where the funds had come from for that system and how much was actually spent on it. Their failure to do so just leads to more grounds for criticism.

Toronto Hospital would appear to have shown itself as an administration that believes it is above being accountable for the funds it receives from the public. It acts as if it is a private corporation accountable to no one for the way it uses its funds. However, it is a public institution that receives public moneys to provide services to the public.

The problem is that the government has not put in the proper safeguards to ensure that such a public institution is actually accountable. As one critic has said, we have a public payment for private medical practice. The government has not put in place any systems that would require accountability for the funds sent to the hospitals. Such systems are normally put in place where the government awards public contracts, but have not been a part of the health care system. The government has no way of knowing

whether the money it gives the hospitals is being spent effectively or with the proper degree of quality.

We have seen at St Michael's Hospital, and the same is true for Toronto Hospital, that the administrations believe they can spend funds they have not yet received from the government, even when the funds have never been promised. They seem to believe they can just spend the money and that the government will bail them out and cover the costs once the funds have actually been spent.

The hospital administrations are exploiting the concern of Ontarians that there be proper health care available for them. Hospitals should be required to stay within the funds provided by the ministry and, if they exceed the funds given to them, the hospital itself should have to come up with the solution, one that does not involve the layoff of employees who have done nothing wrong or the closing of beds and services. Instead, we have seen that the solution of the hospitals to their own possible mismanagement and improper spending has been to penalize their employees and the communities they serve.

Toronto Hospital and other hospitals around the province need to be made publicly accountable for the funds they receive and for the way they are spent. If there had been public accountability, there is no doubt that many of the concerns CUPE now has about the spending habits of Toronto Hospital would not have occurred.

Apart from accountability for funds, there is also a need for a more open and democratic form of management at Toronto Hospital. A regulation under the Public Hospitals Act that requires hospitals to amend their bylaws so that staff of each hospital can be on each hospital committee has not been implemented by Toronto Hospital. In fact, ONA had to take the hospital to court to get a staff member on to the fiscal advisory committee. ONA has also been denied the position of ex officio member on the hospital board when it so applied apparently. The hospital board seems to feel it is not required to report to anyone on the way it manages the hospital.

The most recent round of layoffs is a prime example of the problems with the management style of the Toronto Hospital. The unions and employees found out about the layoffs from the media and not from the hospital administration at first hand. CUPE has had to go to a board of arbitration in an effort to force the hospital to abide by its responsibilities under the collective agreement with respect to the process for layoffs. The collective agreement requires consultation and input from the unions. No such opportunity was given to the union. Management has been reluctant to do something as simple as providing up-to-date and accurate seniority lists to the CUPE locals, as is required by the collective agreement. The result is that layoffs have not occurred in the way that is contemplated under the collective agreement and has led to unfair results for some employees. This autocratic style of management is not acceptable in a public institution. If anything, such institutions should be more democratic and more open than others. Unfortunately, such is not the case with the Toronto Hospital.

Another example of actions by the Toronto Hospital that need to be scrutinized is the number of serious conflicts of interest that have been allowed to continue in the

management of Toronto Hospital. Begley and Associates is headed by James Boles, who also holds a number of positions with Toronto Hospital aside from his responsibilities with Begley and Associates. One can only question if his relationship with Toronto Hospital is one explanation for why Begley and Associates has so many and such lucrative contracts in the hospital.

Similarly, the computer system was purchased from an American company, Health Data Services. We understand the director of nursing for Toronto Hospital holds shares in HDS and also has shares in a company from which the hospital bought its case management system, a system which is on the verge of being abandoned by the hospitals. This conflict of interest seems patently obvious. These are only the examples we have become aware of. No doubt there are many others.

By the way, I guess under the freedom of information in the United States, ONA had done a search of some sort and found the previous president, Vickery Stoughton, had shares in the company itself while he was president of our hospital previously. We have also noted that previous directors of labour relations are now working with the company in a high administrative capacity down in California, so there are many members in high administration levels that were part of that system when it was brought in.

In a private corporation, the board of directors and officers are accountable to the shareholders and any conflicts of interest are not allowed to continue, both by legislation and by government regulation. No such controls have been put in place over Toronto Hospital and other hospitals. Toronto Hospital may have a policy against conflicts of interest, but there are no penalties for abrogating this policy and indeed there is no investigation of any violations of the policy that we know of. This is just another example of the way Toronto Hospital is not accountable for the funds and the management style it has adopted.

Overall, we see a picture of a hospital administration that wants all the advantages of being a public institution, such as full funding and government funds to compensate for overspending, without any of the responsibilities that go along with that money and indeed without even the basic safeguards that are applied to private corporations, such as accountability to someone other than the board itself for the funds that are spent and control of the activities of the boards of directors and trustees.

It is CUPE's position that basic safeguards must be put in place immediately by this government in order to ensure that the mismanagement and blatant disregard for employees and patients does not continue. It is up to this government to make Toronto Hospital and other hospitals in the province accountable for the money they receive and for the way it is spent. No other option is possible. The health care system in Ontario is in crisis right now, at least partly due to the lack of attention from previous governments to the ways in which hospitals were spending the moneys they were receiving. Continuing disregard by this government will only lead to further crisis in the health care system, which can only result in serious harm to the patients and workers of Ontario.

Again, we would like to urge you strongly to go with the five points we have raised earlier in our brief in terms of setting up a royal commission and a moratorium on layoffs until the commission has reported. Particularly we would like to emphasize an open investigation, which really needs to be done, because today, if you look at the appendices of our budget of this year which we just recently received from the hospital, it's very suspect. They claim a balanced budget, but it's based on a lot of faulty assumptions and funds are still to come in. Otherwise we could be anywhere from \$15 million to \$27 million in debt. It all depends on how you look at the budget.

In summation, the situation in Toronto Hospital and other hospitals has been allowed to continue for too long. Hospitals must be made publicly accountable for the moneys they have received and for the ways in which they are spent, as well as the way they treat their staff and patients. We believe these concerns should be at the top of the list of priorities of the New Democratic government. On behalf of the employees and the patients in the health care system, we are counting on you to ensure that the future of health care in this province is not one that leads to collapse of what is an otherwise admirable public health system.

1040

The Chair: I want to thank you for your brief. It's an astonishing number of pieces of information that you've brought to our attention. We have until 11:10 am to deal with our questions, so that will give each caucus 10 minutes.

Mr Stephen Owens (Scarborough Centre): It's unfortunate that we're so time-limited, because I think this issue bears some close scrutiny. I guess my initial reaction to the brief, Mr Schyngera, is outrage that these kinds of practices have gone on and subsequently that people who bear absolutely no responsibility for the decisions that have been made are faced with losing their jobs in order to recoup some of the moneys that have been lost.

I have some questions with respect to the issues you raised. In terms of the computer system that has been purchased by the hospital, you alluded to the fact that the computer system may in fact be dangerous to patient care. Could you expand on that, please?

Mr Schyngera: The reason I make that comment is because of several observations on a personal as well as anecdotal level. Jim Fraser, the president of the nurses' union, Local 97, of our hospital, works in the operating room, which was one of the first areas of hands-on use with the computer system for patient care. Over the period of the last couple of years he has made submissions to people in Quebec who were buying the system that it was a dangerous system. An example that he gave, and which is common knowledge throughout the hospital, is that a patient who went into the OR last year some time ended up having the wrong information printed on the screen as far as drugs and was inappropriately given some sort of drugs, which caused a great deal of alarm and concern by the doctors present once they found out. This has not been an isolated incident, he claims.

Further to that, I just know the horrendous mess and poor training that has been involved. I work in intensive

care in the Toronto General Hospital. I do know that there have been frequent and many mistakes, either through accessing the system—the information that comes back out is inappropriate, and if it's caught, fine; if it hasn't been, there have been more uses of inappropriate drugs, prescriptions and that type of thing. There have been lost patient records or mislabelled records because of it. The system frequently is on downtime, so people are ending up working more stressfully.

As an example, going back to the OR case, people end up having to do manual in trying to access the system, and trying to get the workload done causes errors and confusion. So, as I say, we're concerned about that type of example of anecdotal evidence. But there are so many others. That's why the investigation we're trying to encourage by this committee or the government is so important, because there is such a wealth of information, of people willing to come forward if they were given that opportunity.

Mr Owens: Again, in terms of the moneys that you perceive as being misspent, through my life as a former worker in that institution we were involved in an Ontario Supreme Court decision. The former government had set down an order by the former Minister of Labour, Gerry Phillips, and the institution at that time decided not to comply with that order. Subsequently, it was ordered by the court. Has the situation with respect to the spending of funds to ensure worker health and safety and ultimately patient care improved since that time? Can you comment on that?

Mr Schyngera: I'd like to comment, yes, but I'm afraid the situation has deteriorated. In fact, we are currently involved with the ministry in an exercise to try to get the main committee working. It has failed to produce. Last year the hospital was fined one of the highest fines in the province, I guess, to that date, \$37,500 approximately, for 27 outstanding charges that it pleaded guilty to, untested in court.

Since then very little has been done on projects, such as ethylene oxide, that have been running for five and six years, orders by the ministry over five and six years on asbestos removal. The committee is now virtually functioning as far as the joint mandate of the numbers and physical bodies of people is concerned, but the actual results of the committee have produced very little. We've had our co-chair of the health and safety committee confined forcibly in a room when she was investigating an area. All these types of things have cost the hospital dearly. They continue on the path of not trying to get involved with the joint committee. The ministry is now trying again to develop some sort of mandate they can live with, hopefully, and we can live with. We're involved at this point. So no, there has not been an improvement in any sense of the word.

Mr Owens: I have just one last question, Chairman. I'd like to make a comment. In terms of the perceived conflict of interest by having service providers like Begley construction, as you pointed out in your brief, as members of the board, do you perceive any other conflicts existing on the current board?

Mr Schyngera: Again, these are only highlights, examples, but we have many people. For instance, it was curious

that the hospital dealt with the Royal Bank of Canada prior to merger. The Canadian Imperial Bank of Commerce person who sits on our board—I forget the chap's name right now, off the top of my head—came to the board just after merger. They ended up having a direct deposit system, I believe. The bank manager I dealt with, who was dealing with the hospital, because we deal with the same bank manager, suggested that his bid was lower but he didn't get the contract for the direct deposit system that the hospital instituted.

We have Ron Fell, who sits on our board, who is a chairman or some high officer of Aetna Life Insurance; I believe Excelsior Life is the name in Canada. They took over our benefit carrier coverage for all our benefits, previously Blue Cross before merger. All these things, we don't know whether they're less expensive. The hospital claims they were when it bought into the contracts, but we have no way of knowing that. There's been no disclosure on that, but we have these examples.

There are more examples on the board itself. We have a vice-president at the hospital who had some interest in direct dealings. I'm not sure how recent, if he's still part of it, but Bill Louth has been an officer of the hospital for quite some time, a vice-president, a corporate vice-president now. There are other examples.

Mr Owens: Just, Chair, in terms of my—

The Chair: Sorry, Mr Owens, your time has expired.

Mrs Joan M. Fawcett (Northumberland): One hardly knows where to start with what you have presented to us this morning, especially when I really don't have the background. I guess right off the bat, with so many allegations that you have here, do you have absolute proof of these? I just shudder to think of the suits that may follow if you don't. You put this in print so I assume you must therefore have some kind of proof.

Mr Schyngera: Well, some of the documentation, if you peruse it—we have other boxes. The allegations that we're making simply are based on what I know publicly, either in print media or when we have gone directly to people and had information like the public auditor's and that type of thing and anything we've put in here. Yes, we could probably substantiate at least—the rest is just a question, I believe, because we don't know. In fact, we've looked at some of the accounts, and we have some information that there are many accounts, but are those the only accounts, the private accounts and that type of thing in the hospital? So we're most concerned about how moneys are spent. I think some of the appendices do show transfers where we make the allegation of transfer of funds from operating to capital. They're in the appendices, out of the hospital's own notes. Yes, we are prepared.

The brief itself is a more or less then-and-now situation. It's a period of several years and I guess that's where it may be somewhat confusing. The perspective as of today—I realize the reality has changed somewhat in our province, but what we're trying to get at in this brief is that our hospital never lacked money. It never had a deficit and curiously we're at a point in time now, all of a sudden, with one of the highest deficits. In terms of the impact on

staff, employees, services and whatever, I believe it's probably greater than the St Mike's situation.

1050

Mrs Fawcett: Are none of the contracts then open tendering?

Mr Schyngera: No, not that we know of. We talked to a plant operations person—this is a vice-president of the corporation for both sides, Neil Crane, and others that we've talked to in bargaining over a couple of years—and in fact he's encouraged us to try to get something resolved here. The hospital used to do the in-house. We're proud of our plant services. We're one of the best public institution hospitals for trades. We have a wide range of trades in both hospitals. We've developed that and it's been disseminated.

He's concerned about that. He knows that the contracts—he's given us figures, and I'm just trying to quote these again from figures that he can only ascertain, but he doesn't know the exact costs. He did give us approximations of well over 100 projects a year. If you cost-estimate those in terms of the figures that we can give you, you can extrapolate your own figures, but they're rough and obviously crude figures.

Mrs Fawcett: So to your knowledge, they are not open tenders.

Mr Schyngera: No.

Mrs Fawcett: Now, just following up on what Mr Owens was saying about the improvements that were suggested and not followed through on, what do you feel is the reason that things got stalled and the committee did not suggest those improvements go forward?

Mr Schyngera: The best way I can describe that, to make it simple, I guess, is that most people, including ourselves, can only take the period of merger from 1986 to the present. From what the hospital has given us—it seems to confirm that in the last budget, and it's in the appendices—the three major expenditure areas throughout this period have been the computer system, to try to get it operational—it was a mess—and the second is the refurbishment of our hospital. From the time we built the Eaton wing, which is when I started with the hospital, October 1980, that new building that was built, the Eaton building, all the other buildings in the complex—and we have five major hospital buildings and then some small operations, research and that type of thing—we began construction that has been unabated, virtually.

We felt it to be a construction zone. Every part of our hospital, from top to bottom, has been a virtual construction zone. It's been like an obstacle barrier to work in throughout. Everybody has commented on it.

To look at the type of costs over those periods, we're looking at substantial amounts of money. When I look at our budget, it still staggers me that we're getting over \$400 million this year with capital, \$370 million roughly, estimated by the hospital's own estimates in its budget. That's a lot of money, and if you add that over several years, I guess prorating it down from 1986, we look at that as a major expenditure, and these are the areas where people complain.

The tradespeople we have here will give you example after example of horror shows, where lights are for years underneath false ceilings. It's not only a health hazard but poor workmanship and all kinds of things like that. But it has been massive, so that's a major area.

The third area is the purchasing, because we went into an assembly line medicine system rather than floor area coverage after the merger. Staff morale has decreased. Productivity definitely has decreased. Some of the front-line doctors and all kinds of other people have left because of the merger. I know there has been nothing good said about it. I know that at one time doctors, the residents, refused to use the computer system because they felt it to be unsafe. We have a whole series in that area and then the type of purchasing that we've mentioned in there.

If staff were to come forward, I could give you example after example, like fixing bushes with a little spray outside on College Street. They're going to pull the bushes a month later and put all kinds of new bushes in, when in fact the gardener who has been there for over 20 years tells us it's easy to fix. You just give it a little spray and you don't need new bushes.

You put an island out in front of our revolving door in the Eaton building for—I'm not sure, they estimated it at anywhere from \$90,000 to \$130,000. Staff used to sit there. It was comfortable. It looked nice. They put in a rock garden that nobody likes. It makes no sense.

We're talking about a period when we're now approaching deficits, apparently. So ripping out carpets, during the period they claimed a deficit last year, all of a sudden in one wing of a floor, spending another \$50,000 or \$60,000 to recarpet—our chief officer—we can only estimate; there's no way of finding out his salary but everybody claims it's over \$400,000—and expenses, who knows? I don't know. It's been claimed; the hospital refuses—I'm just saying that the three areas are probably broken down as the computers, Begley, the construction and the purchasing. Those are the main areas and all the workers in the hospital, right up to the supervisory or middle administration, give me daily examples of waste and that type of thing. As I say, we'd like to emphasize that an open investigation would be useful to bring people's concerns forward, maybe.

Mr David Tilson (Dufferin-Peel): As I'm sure you know, this committee has received a delegation from the Toronto Hospital and we spent some time asking a number of questions. I would have appreciated it, of course, if we'd had your information when we were asking those questions. We may have another opportunity to do that because certainly the allegations you've made are most serious and have to be answered. Either that, or you're going to get sued. I will assume the information is correct because obviously a committee such as this has an obligation to pursue matters when allegations are being made as serious as that.

The government, of course, has known about the difficulties in the health system. Mr Archer made comments in his report and you referred to that. Their response to some of those difficulties has been the reorganization of the Ministry of Health as opposed to dealing with some of

these issues you've raised, because these issues I believe apply to a number of hospitals. Can you tell me what your thoughts are about the reorganization of the Ministry of Health?

Mr Schyngera: Frankly, you could say that, but the hospitals are also saying, for instance, that the deficit created is because of pay equity. The two issues they have claimed to us until recently are pay equity—what is the other one? There's the ONA salary contract last round bargaining, which they claim at 29%. Of course, if you spread it out it's actually less than a 15% increase, which everyone received, by the way, in the hospital sector at that time. Those are the two main factors they claim if you put those into the budget, so I find it difficult to say that—I suppose if you take your balance sheet over here and say everything's okay except for the reorganization because that's where it comes from, I suppose that's the view.

Mr Tilson: My question, sir, is really that specifically the Ministry of Health has been aware of these problems because these problems, not to the extent that you've raised—you've made some astounding and very serious allegations that certainly members of this committee, at least publicly, have never heard. Some of the members may have heard them privately. Certainly the tendering practices have been questioned and that's not news to us. Some of these other allegations are very serious indeed and I assume Mr Decter and members of the Ministry of Health have been made aware. I assume that your union has made the ministry aware of those. I guess my question deals with what your understanding is of what the Ministry of Health is doing about some of the allegations you've put forward.

Mr Schyngera: I can only comment that back in January we met with Michael Decter. You're quite right; we never met with the actual minister, Ms Lankin. In our presentation with all the union presidents present from the two sites respectively, we brought in all of these and more allegations. Believe me, I wish the ONA was here today, but the person's away on vacation and some of the other people, because they would've loved to have been here today and added weight to some of these things. We did much more than what's in this brief, to Mr Decter.

Since then, what we've been told only briefly, as in various other bodies—we have never got a formal response back other than we're short of money and whatever, but that in other forums they would look at the Public Hospitals Act in terms of some sort of accountability, better auditing. That's about the extent of what we got. I believe Ms Lankin in another forum at another time just recently indicated that the ethic of—we're also, you know—what was the other thing? Public Hospitals Act.

1100

Mr Tilson: In short, the ministry's doing nothing, as far as your allegations are saying.

Mr Schyngera: We haven't got any formal response back from the bodies.

Mr Tilson: All right.

Mr Schyngera: Also, by the way, the presentation we just made here, in a more shortened form, as you can appreciate, was also sent—which is also on our behalf from the Toronto board of health. We presented on December 17 a similar, abridged version of this type of allegation, and more extensive, because all the union presidents made that presentation. A letter was sent. The Toronto health board adopted unanimously our report to it and sent a copy to the minister, and we've received nothing back again from the minister so far.

Mr Tilson: And when were your representations made to the Ministry of Health?

Mr Schyngera: What was the exact date? January—I can't—

Mr Tilson: In January of this year?

Mr Schyngera: In January this year, yes.

Mr Tilson: All right. One further question: This government, and before it the Liberal government, has started a process that patients should spend less time in hospitals, that after operations or whatever they're in for they should go to their home. Assistance would be given in that case and therefore the need for hospital beds would be reduced. Can you, on behalf of your union, tell us what you think of that proposal that's been put forward by those two governments?

Mr Schyngera: We believe very sincerely, and I think our union does in general, that we're not in disagreement with that principle. However, that's the recommendation we're trying to draw forward, either a royal commission or some way of putting a moratorium so real input can develop.

We're concerned right now that what's happening is that you have a layoff, you reduce beds, you reduce services, and you're putting—for example, my mother-in-law had a stroke. She's at home, and trying to get provided health care services is going to take eight months to a year to get all those things in place. Meanwhile, she still needs help and care and she's at home. That type of thing concerns us.

We'd like to see really, ideally, a discussion of retraining for our current workers who are health care professionals or service workers like ourselves to be able to go and take those jobs and go into the community then with collective agreements and that type of thing intact so quality health care can be maintained. You know, we're concerned that a model doesn't occur like the psychiatric patients well over 10 years ago where we deinstitutionalize and they're on Yonge Street begging with tin cups, basically, without really a lot of support services. There are some out there, but not well enough and they're very difficult to receive and achieve.

Mrs Fawcett: If I could just make an addition there, I think, with all due respect, the Liberal government was prepared to put \$2 billion in to get those support services in place before all these cutbacks started to materialize, but then that was put on hold.

The Chair: I'm sure Mr Tilson appreciates that information.

Mrs Fawcett: I thought he would.

Interjections.

The Chair: Order.

Mr Owens: On a point of clarification, or however you want to put it, in terms of following up—I'm only a guest on this committee today—what would be the process? I think Joan Fawcett made an excellent point with respect to serious allegations having been made. What is the expectation the presenters of this brief can have that this issue will be pursued?

The Chair: I was just going to deal with that and I would like to take a moment to talk to the committee about it. As Chair of the committee, I would like to recommend to the committee that we get together at the appropriate time, as quickly as possible, and draft a motion for this committee to conduct an all-inclusive review of the matter that has been initially looked at by the auditor and that has been further commented upon by the group before us this morning.

I would suggest that the review be extensive, that the review include Ministry of Health officials, that we do a review of all the allegations made this morning, that we ask the auditor to do an audit as to value for money, that we look into the purchases of the gigantic computer program that is not working at the hospitals, that we look into the Begley contracts and that we look at the construction that's been going on. That was going to be my recommendation to the committee.

Mr Owens: If I can make a helpful suggestion as well, and I'm not sure this can be done, one of the highlights that was pointed out both in the presenter's report as well as in the auditor's report was the ability to track information with respect to private moneys. Is it the office of the public trustee that regulates that function?

The Chair: I don't consider any of the moneys given to the hospitals to be private moneys.

Mr Owens: What I mean is, by public donations through various funding arrangements they have set up.

The Chair: I still would not consider those to be private moneys. I would assume a hospital, this one in particular, would get 80% to 85% of its budget through general transfers and any other moneys it would receive through donations would have tax credit purposes and tax credit values. Therefore, the tax system would be indirectly helping these donations to be made. So I don't see any of this to be private at all. Let's all remember this is a public health system. This is a public hospital; it has nothing to do with being private at all.

Mr Owens: Much appreciated, thank you.

Mr Tilson: Notwithstanding that point, Mr Chair, that was one of the difficulties the auditor's office told us it had. There were certain funds it simply can't look at, because of the jurisdiction it has.

Mr Owens: That's right. That's my concern. You get told to buzz off.

Mr Tilson: The point that you made about tax deductions is an interesting one, but that's what the auditor's department has told us.

The Chair: I take the committee to the Audit Act, page 7, section 17. Under our instruction the auditor can perform special assignments and it states the duties of the

auditor under this act. The beginning of section 17 clearly states:

"The auditor shall perform such special assignments as may be required by the assembly, the standing public accounts committee of the assembly, by resolution of the committee, or by a minister of the crown in right of Ontario."

To me that's clearly indicative that we have the authority to ask the auditor to do any number of things. I think what we need to do is have a special meeting so we can thoughtfully put together a motion to put before the full committee, and the repercussions of that motion, and then start working on how we will govern ourselves during the course of this investigation, whom we are going to call, whether or not we need outside help to assist the auditor or whether or not the auditor can do it with his own staff and what other needs the committee might have. I don't think we can accept this submission we've received this morning and just file it away.

Mr Tilson: I agree, Mr Chairman.

Mr Robert Frankford (Scarborough East): Could I raise another area that I would be interested in looking at, which is around the comprehensive health organization proposal. That is something this hospital was working on and I think this is potentially another very major aspect of the organization of health care. It would bring in considerable revenue, because, as I understand, each patient enrolled in it would bring in a revenue of something like \$1,600. If you do some multiplication, this could have a very major financial impact on the place of this institution in this system and what we hear about consultation and planning. I think it would be interesting to know what moneys were received by the hospital to do this, whether it used outside consultants and how it impacted on the whole management and planning of the hospital.

The Chair: That's something the committee will have to consider.

1110

Mr Owens: You may also want to take a look perhaps at the role of private enterprise within a publicly funded health care system with respect to contracts for service provision within the institution and to investigate the appropriateness of private enterprise within a publicly funded health care system, as you so accurately pointed out.

The Chair: Well, I mentioned the Begley contracts—

Mr Steve Eadie: Mr Chair, I would like to make one point regarding the recommendations that were put forward this morning on the inquiry into the health care system generally. I'd just like to point out that in the estimation of our union, this is not an isolated situation. In magnitude, it may be much easier to identify than others, but there is no comprehensive accountability in the health care system across the province, and we know of other hospitals where various things are happening of a similar nature. We would suggest to you, if you are able to make recommendations to the ministry or to talk with the ministry, that this not be reviewed in isolation.

The Chair: I appreciate that. I don't want to get our work lost in general overall government policy that would

cause debate to go on endlessly without maybe any specifics being looked at.

I firmly believe that if we are able to do our job appropriately, if we're able to look at all of the allegations that were made this morning appropriately, if we're able to allow the auditor to do a value-for-money audit in this particular situation, that in itself would send a message out to everybody as to how they're running their institutions and what changes they may wish to make in light of what we're going to do in this specific instance.

I would counsel the committee against making the investigation so large and so overall that we'll lose ourselves in the process. I don't know if we're really talking about a royal commission with three to five years worth of work and everybody, by the time they're finished, will have forgotten what they were to do. So I would counsel the committee on making the work so overwhelming that we'll never get it done. I think we've got a lot here to deal with that we can appropriately deal with under the rules by which we work. Anything else?

Thank you for appearing before us this morning.

Mr Schyngera: Thank you very much.

LETTER TO TREASURER

The Chair: We have a letter to the Treasurer that we'd like to discuss and approve if possible. Has everyone reviewed the draft letter? It's three pages. We're all going to have to sign it, so let's be comfortable with it. That is the draft letter to the Treasurer concerning the committee's work concerning the Audit Act. Let's take five minutes and look at it.

1116

The Chair: Any problems with the letter? Ray had one or two minor corrections to make the letter more up to date. Could you tell the committee about that, Ray, please?

Mr Ray McLellan: When this letter was drafted immediately following the February meeting with the Toronto General division of the Toronto Hospital, I was awaiting the steering committee report on the Public Hospitals Act. That document is now out. It was received at the end of February or early March, I believe. I would recommend that we delete the last sentence of the second paragraph in the letter: "The members are awaiting the report of the steering committee reviewing the Public Hospitals Act, prior to reporting on the hospital inspection audit." It wouldn't be necessary to have that in there.

Also, if this committee decides to go on and address the issues brought before us this morning, obviously we'd be going off on another tangent and looking at other issues. So it wouldn't be necessary to have that sentence in there.

We're still saying in that paragraph that we've reviewed universities, the public boards of education and also a hospital, and the committee has decided to report on the universities and the boards of education, which we have done.

The other point I wanted to make concerns the top of page 2, the indented quote from report 2, June 1990. The first paragraph is a quote and a comment from that report; the second paragraph is a recommendation. So technically

it would be helpful and correct to say in the second sentence on the top of page 2, "The committee made the following comments and recommendation on the audit of government agencies and transfer payment recipients."

I think too that this letter has, from the last day, that Thursday that we finished off looking at the Toronto General Hospital, covered off the main points, the three or four points that we wanted addressed. We wanted to make reference to our reports; we wanted to emphasize the importance of accountability; we wanted to make reference to that report 2 of June 1990 and the difficulties the auditor had with respect to the inspection audits and what the committee had encountered in terms of the inspection audit reviews it has undertaken.

There is also, on the last page, page 3, that the committee request a response from the Treasurer, and that's been done. The final point was that the committee ask that provision be made so that all members could sign the letter if they so choose, and on page 3 we've made provision for that.

Also, I should say that the committee asks that this draft prepared by legislative research be considered by the Clerk's office and also the Office of the Provincial Auditor, and I had a meeting and that has been done.

With the exception of those two changes, I think hopefully that captures the committee's needs.

Ms Sharon Murdock (Sudbury): Being new to the committee and having heard today's presentation, my concern in the letter is that there is no indication of how non-transfer amounts of money would be addressed. If that was one of the problems that Mr Archer had in terms of being able to do an accounting of the system and in terms of what this letter is saying, it doesn't address that issue. I think it's pretty evident it's a problem.

Mr Larry O'Connor (Durham-York): Mr Chair, further on that?

The Chair: Sure.

Mr O'Connor: Some time back, when the past auditor was here, we had discussion around it. It's referred to on the third page, "Proposed changes and amendments to the Audit Act." Would those proposed changes then cover off the areas my colleague has mentioned?

Mr Jim Otterman: Yes. What we have prepared, which we presented to the Management Board of Cabinet staff who are coordinating the proposed amendments, we feel would cover it, in that it would give us access to related institutions. That's always subject, I suppose, to a legal interpretation.

Mr O'Connor: That was one area where we did run into problems when we had Colleges and Universities before us earlier on in the mandate of this committee. We ran into problems where the auditor never had full access to all the finances of some universities that it had audited in the past, which pointed to some problems. I guess the difficulty we'll have in further deliberations of this committee is, if we so direct the auditor to further investigate something, if this area isn't covered off, then we're going to continue to have the same sort of response and the same problems.

Perhaps a suggestion or a motion should come forward recommending that this matter be brought to the attention

of the House leaders, and it could be perhaps discussed as well. Where that falls within the purview of what the House leaders are going to decide and where it ends up on the legislative agenda—I guess it has been sitting there for some time anyway. Perhaps this committee should address its concern to the House leaders.

The Chair: Right off, in response to your comment, without giving it a lot of thought, if it's something we want to do, I don't know why we would need the House leaders, if it's the wish of the committee to do so.

I would think that unless an institution went out and said, "We're going to do project A, and every penny of project A is going to come from private contributions; there's going to be no money taken from our operating or capital fund or from anything else," unless it was that specific—I'd find it hard for anybody to do it that way. Yes, go ahead.

Ms Murdock: Just in relation to that point, Mr Chair, frankly, when publicly funded agencies and institutions go out on fund-raising drives, the reason they get the money is because they are a publicly funded institution. If they were a private industry, it's unlikely that the people would be as forthcoming with their own dollars as they would if they weren't a hospital or a school or whatever. Therefore, I believe that publicly funded institutions should be required to provide all their accounting documents, regardless of where the money came from.

The Chair: Yes. I have no basic arguments with that. It doesn't offend me in any way that that's the way it should be done.

Ms Murdock: No. Even if it was directly stated that, "We are going to do this expansion project at this hospital, and all of it will be paid for by public funds donated to our cause," I still think that even under those circumstances they should be required to give an accounting.

The Chair: You're right. There are tax benefits for individuals and corporations for making those types of contributions, so there is tax money involved.

Mr O'Connor: Further along that line, when we did have the universities before us, I believe the University of Toronto was an example of one of the ones that had been audited and something this committee had looked at. There are substantial reserve funds that are accumulated by some learning institutions, and I'm not sure whether there would be the same in the hospital, but I would imagine there are some fairly substantial foundations related to it. If we're going to take a look at the whole area of accountability, whether in the past, when we did take a look at the colleges and universities and school boards and hospitals as well—the concerns have been raised, and perhaps what we need to do then is somehow get the proposed changes to the Audit Act.

The Chair: So you're telling me then that you want to have more time with this letter? Are you telling me that you want Ray to redraft the letter?

Mr O'Connor: I think we need to make sure that our concerns about the Audit Act get brought forward so we can get those changes.

The Chair: Can you make changes to the letters to take into account these concerns?

Mr McLellan: Yes.

The Chair: Thank you, Ray. I would suggest, so we can approve this letter next week, that, Ray, as soon as you get finished with your next draft you can fax it to all the members and that way next week we could just approve the letter. If there's anything missing or if there's anything you find objectionable in the letter, let's know in advance so we could try to—

Mr Tilson: Just as a point of clarification, you want that the government or the Provincial Auditor will have the right to audit a hospital foundation, which might be separate and apart from the hospital. Is that what you're saying?

Mr O'Connor: If there are opportunities and avenues in the accounting of a hospital for transfers from one direction to the other direction and back and forth, then I think that for a true audit to take place there has to be that accountability. That's an area we did see when we had the universities before us. It was one area the auditor had raised as a concern, and all the members of the committee.

I believe you were with us at the time. So I think if that capability is there, then it should be addressed as far as accountability is concerned.

Ms Murdock: Not on that point, but just for the record, I believe that I'm going to be subbing for the next period of time, so if you wouldn't mind, please send it to me rather than to Mr Johnson.

The Chair: Okay, then the letter will be brought forward for next week's committee meeting. We have 30 minutes left for this morning. We have the draft reports we've been wanting to review and approve of for the last month. May I recommend to the committee that we do that within the next 30 minutes, because we're going to have a lot of other work to do and we've got to get this work that we've already done behind us. So I'll ask Ray to take us through those two draft reports. It's normal for us to go in camera when we do these draft reports, so the committee will now go in camera, and hopefully within the next 30 minutes we can complete our work in regard to these draft reports.

The committee continued in camera at 1128.

CONTENTS

Thursday 7 May 1992

Annual report, Provincial Auditor, 1991

CUPE Local 2001	P-9
Roman Schyngera, president	
Roy Flemming, member	
Steve Eadie, secretary-treasurer, Ontario Council of Hospital Unions	
Al Wahid, president, CUPE Local 1744	

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- *Chair / Président:** Mancini, Remo (Essex South/-Sud L)
- Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
- Callahan, Robert V. (Brampton South/-Sud L)
- Cousens, W. Donald (Markham PC)
- Duignan, Noel (Halton North/-Nord ND)
- *Frankford, Robert** (Scarborough East/-Est ND)
- Haeck, Christel (St Catharines-Brock ND)
- *Hayes, Pat** (Essex-Kent ND)
- Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
- *O'Connor, Larry** (Durham-York ND)
- *Sorbara, Gregory S.** (York Centre L)
- *Tilson, David** (Dufferin-Peel PC)

Substitutions / Membres remplaçants:

- *Fawcett, Joan M.** (Northumberland L) for Mr Callahan
- *Murdock, Sharon** (Sudbury ND) for Mr Johnson
- *Owens, Stephen** (Scarborough Centre ND) for Ms Haeck
- Sutherland, Kimble (Oxford ND) for Mr Duignan

***In attendance / présents**

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service

CA2-01
XC21
-P72



P-3

P-3

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Legislative Assembly of Ontario

Second session, 35th Parliament

Official Report of Debates (Hansard)

Thursday 14 May 1992

Standing committee on public accounts

Organization

Annual Report,
Provincial Auditor, 1991

Chair: Remo Mancini
Clerk: Tannis Manikel

Assemblée législative de l'Ontario

Deuxième session, 35^e législature

Journal des débats (Hansard)

Jeudi 14 mai 1992

Comité permanent des comptes publics

Organisation

Rapport annuel de 1991
du vérificateur provincial

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

Index inquiries

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 14 May 1992

The committee met at 1015 in room 151.

COMMITTEE BUDGET

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. Everyone has the committee agenda before him or her. The first order of business is to deal with the proposed committee budget. I'd like to ask the clerk to go through the budget with the committee members so that we have an understanding of what we hopefully will approve in a few minutes.

Clerk of the Committee (Ms Tannis Manikel): I don't know how much detail you want, but I can run through some of the highlights.

Obviously "Telephone," "Mailing" and "Courier Service" are just general office things.

The first part is "Staff Accommodation, Meals, Transportation." That covers the staff attending any of the conferences. We've got two conferences suggested that we go to. Sorry, this part just covers the Canadian Council of Public Accounts Committees conference. Under "Conference—Staff and MPPs" I've put in for the Canadian Comprehensive Audit Foundation conference, which the committee has attended in the past. It's going to be held here in Toronto in November and I've put in some money for the committee to attend that.

"Witness Travel and Expenses" is something this committee doesn't generally have. That's been put in to cover the transportation, accommodation and other expenses for people travelling to Toronto if they're invited to attend an interview for the position of the Provincial Auditor.

"Advertising": I've put in \$15,000 for that. The committee will have to reach a decision—

Mr W. Donald Cousens (Markham): That shouldn't be called "Witness Travel." You should change that then, if I may suggest, to "Candidate Search Travel" or something. I think we had a battle in another committee I'm on with regard to getting witnesses' expenses paid and we came to the right decision in not doing so. To call it that would be a problem.

Clerk of the Committee: Sure, I can change that quite easily. It's not a problem.

I've put in \$15,000 for the advertising. I'm just looking here; I have something from personnel going over the cost of the advertising. It depends on how extensively the committee wants to advertise. The \$15,000 would cover the production costs, some of the other costs—like courier and faxing out the ad—and advertising in the Globe and Mail national edition and advertising in all the provincial capitals. That would be covered by the \$15,000.

If the committee also wanted to advertise in the other Ontario newspapers, such as the Windsor Star and the Toronto Star—the advertising agency has listed about eight of them—that would be an additional \$14,000, a

little over. Then if we wanted to go to some of the other papers, I guess from the list the agency came up with, we could have a potential of almost \$30,000 for advertising. I took a sort of middle-of-the-road figure and just put that in, understanding that the committee could change this if it wanted to.

The Chair: Any discussion?

Mr Larry O'Connor (Durham-York): Just a question around the process. I realize it's the first time that I as a member, and probably quite a few of us, have actually gone through the process of trying to hire a Provincial Auditor. For our viewers who are watching us, this is what the advertising is for. Is the use of an advertising agency a common practice in seeking out who we're going to advertise with? It seems to me it would be fairly simple, but perhaps the clerk could enlighten us as to the use of an advertising agency and how much of the expense in advertising is actually going to the advertising agency.

Clerk of the Committee: I'm sorry. I missed part of that, but I think I got the end of it. Generally, say, when a committee is advertising or, in this case—I've gone through personnel for this. When they're advertising, they go through an agency to have it place the actual ad and make the contact with the newspapers.

Was your question about the agency cost involved? To tell you the truth, that wasn't in the breakdown I got from personnel. I think we do this because it's more efficient for us. We don't have the contacts with the newspapers. They know who to contact. They have the facilities to have the ad camera-ready, which we don't, so that's one of the reasons we go through an agency.

Mr O'Connor: So it would be rather common practice for human resources to go through agencies when hiring someone?

Clerk of the Committee: To go through an advertising agency to place the ad. That's what we're talking about at this point. I guess I'm seeing it that when you say "agencies," you could also be referring to placement agencies, and that's not what we're talking about at this point. I don't believe human resources does that.

The Chair: Anything else on the budget?

Mr Noel Duignan (Halton North): On the registration fees for CCAF, could you elaborate a little bit on that? What conference is that?

Clerk of the Committee: That's the Canadian Comprehensive Auditing Foundation conference, and perhaps Mr Otterman could explain more of the function of the audit foundation.

Mr Jim F. Otterman: The CCAF is about 10 years old, and it really functions as the main research and study group to forward the advancement of the value-for-money,

so-called comprehensive auditing. It holds an annual conference that is nationally attended every year, and this year the site is Toronto.

Mr Duignan: And we're expecting all the members of the committee to go to that?

The Chair: I'd recommend one member per party.

Mr Duignan: We have 12 members. Cost it in for 12 members and two staff.

The Chair: We do.

Clerk of the Committee: Not having any clear direction from the committee, I put in the 12 members hoping that a decision would be reached here on how many members to attend, so that's quite simple. Just so I'm clear on this, do you mean a subcommittee? Basically that's a Chair, Vice-Chair and two additional members.

Mr Duignan: I would recommend that the same number of people attend the CCAF conference as the CCPAC conference and that the cost be reduced accordingly.

The Chair: That's fine. I just want to remind members that if you don't give yourself a 5% or 10% leeway in this budget, you're going to send myself and the clerk back to the Board of Internal Economy for \$400 or \$500 in the middle of the year, and I'd rather not do that. If we know we're not going to spend the money, we'll turn the money back in to the treasury; it's not as if we're going to keep it.

Mr Duignan: That's fine, but I was wondering, that's just for this particular cost here, \$7,700, but where is the other cost? Are there other costs figured in here as well in the other parts of the budget such as travel, per diems etc? Is that figured in for that particular conference in that budget as well?

Clerk of the Committee: Because it's in November, when the House is sitting, the committee members would not put in for allowances.

Mr Duignan: Unless it's in constituency week.

Clerk of the Committee: I don't believe it is. It is November 19, I believe.

Mr Otterman: It's November 22 to 24.

Clerk of the Committee: And constituency week is November 9 to 13, so it's not at that time.

Mr O'Connor: How much of the total cost there is actually in registration fees, or is the total for registration fees?

Clerk of the Committee: The registration fee is approximately \$550. I'm not sure if it has gone up. Last year it was \$535. I increased it slightly just to cover us if it had increased at all. That's been their registration fee for a number of years now.

Ms Sharon Murdock (Sudbury): In terms of this conference we are discussing right now, that is in Toronto in November, correct? Does everyone have to be registered? Could one attend as an observer, or must they be registered?

Mr Otterman: I really can't answer that. You'd have to contact CCAF.

The Chair: I think under normal circumstances, when observers attend conferences, there's a fee for that also.

Ms Murdock: Significantly less, though, I would think.

Clerk of the Committee: I'm not entirely sure, because they have one fee that is less for their members and then another fee for non-members, so that may be the observer category they have.

Mr David Tilson (Dufferin-Peel): What was the budget for 1991-92 and what was the percentage increase or decrease?

The Chair: We'll ask the clerk to get that information. Don't forget, in last year's budget we did not have to hire a new Provincial Auditor.

Mr Tilson: I'm aware of that.

The Chair: I think this committee is doing a lot less travelling than the committee did last year, if I remember everything I read correctly.

Clerk of the Committee: Last year's budget was \$90,406.56. That's an increase of a little over \$30,000.

Mr Tilson: What percentage is that? Did you work that out?

Clerk of the Committee: I haven't worked that out, no.

The Chair: I can tell the committee members in 30 seconds how they can cut their budget. Instead of asking to work four weeks during the summer break and four weeks during the winter break for all these important things members are telling me they want to do, you can reduce that to one week in the summer and one week in the winter, and we'll cut our budget.

Mr Tilson: Mr Chairman, I don't think we should be so defensive.

The Chair: No, I'm a little annoyed because I thought we were responding to the committee and I thought I was hearing—

Mr Tilson: There's no need to be annoyed. I was just asking what the figures were for last year. Obviously we have expenses for advertising for the auditor—advertising alone is \$15,000—travel expenses for candidates, so there are some substantial expenses this committee is going to have to bear as a result of the search for a new auditor, which will be this committee's responsibility.

I guess that leads to my next question. When the province seeks out a new auditor, is it common practice, is it natural, that this committee would be responsible for that expense?

The Chair: It has never been done before. The only example I can give you of any similarity was when the standing committee on the Legislative Assembly hired the clerk. The committee budgeted all those expenses because it as asked by the assembly to undertake that responsibility, in the same way we've been asked by the government to undertake the responsibility of seeking out a new auditor.

Mr Tilson: There's no question a large percentage of the \$30,000 increase is for the cost of retaining a new auditor.

The Chair: Yes.

Mr Tilson: As long as everyone understands that and that whoever reviews these budgets and starts pointing fingers realizes that is an expense this committee is bearing for the government.

The Chair: I'd like to make two points. I realize where your thoughts are heading, Mr Tilson, and I agree with you completely. Any outside observer, if he does not have the facts we have before us, would certainly wonder why the budget has increased.

The reasons are twofold. You've explained one of them: this committee's responsibility for seeking and going through the process of appointing a new auditor. Second, in response to the committee members' statements last week, when we heard from certain presenters about what was going on at certain hospitals and the view of the committee that we had to get in and ensure we had enough time to adequately investigate government transfers to certain institutions to ensure the citizenry were getting value for money, in order to accomplish all that we need to have sitting time. That's where the other expense comes in.

Mr Duignan: Just to follow up on Mr Tilson's comments about going through the process of hiring another auditor. I wonder if we could separate those costs out of this budget and put them under the heading of the cost of hiring an auditor so it's very clear to the Board of Internal Economy that this is what's causing us to go through this process. Then we have a reference for the future of what the cost would be.

1030

Mr Tilson: That's a valid point, Mr Chairman. As you've quite correctly pointed out, this committee is going to have to spend many more weeks—maybe I shouldn't say weeks, but at least days, as it has in the past, interviewing candidates, aside from the cost of advertising and perhaps paying individuals the the expense incurred in having candidates come before the committee. I think that would be very useful.

Mr Duignan: This is a new process and it would be useful from the start to get a handle on the cost of going through this process.

The second point I have goes back to the conferences. If the conference is being held in Toronto when the House is sitting, there is no way 12 members are going to be at that conference. Factoring a cost of 12 members to go to a conference is somewhat high, and I'm also wondering why we have two staff people going to both conferences. Is there a reason?

Mr Cousens: I have a few concerns and we all have to be worried about the dollars involved. I've been at these conferences in the past when we've been a host city. There's a tremendous advantage for us all to come and go as we want. There's a tremendous learning process that goes on within this committee and if we are able to understand some modicum of improvement of what goes on—I never fail to learn something when I go. I have never stayed for the full time, so if a news reporter were to come along and ask, "Did I get my money's worth or did the taxpayers get their money's worth?" I think every one of them could write a story that was nasty about me. I can

still justify it in my own mind that I've had the chance to go. I have gone and I have shown, number one, my interest in the whole audit control business and I've always come away with a better sense of it. If there's one thing we're going to cut in this place, I would say it wouldn't be the chance for us to continue to do those things.

Number two, in defence of what the Chairman just said, if this committee—we touch on more dollars spent within the government than any other committee, and with the responsibility for it. I happen to think that the budget that's been prepared is fairminded and there will be some movement that goes back and forth within it. I don't think it's going to be accurate, but at least we've got the flexibility to do what we want to do. I appreciate the concerns you and my colleague from our caucus have. I just say that with the time limitations we've got, I wish we'd get on with some of the other issues we have in the committee. I support the proposals we have before us, imperfect as they are.

Mr Duignan: I appreciate the comments of my colleague and I'm glad to see that he feels the members would benefit by going to the conference, and I stand by his experience. Hopefully, I will get something from the conference as well.

Mr Cousens: You'll probably get a lot more than I ever did.

Mr Duignan: I support this budget with the provision that we take out the cost of hiring the auditor and put that under a separate heading.

Clerk of the Committee: Could I include that in an explanatory note? I can expand on that or I can do it on a separate sheet. For the committee's own knowledge and information, I'm planning on trying to keep the costs very separate on this. We'll have a record for the future of all the costs involved and I'm asking finance branch to help me on this, to keep a separate budget for this so that we're very clear on the costs involved.

Mr Duignan: Again, I would like to see the cost of hiring the auditor separate on this budget because—

The Chair: Mr Duignan, I hear you. We're going to prepare this so that anyone looking at the documentation will immediately be able to know that there were extra costs in our budget this year because we were asked to hire the new Provincial Auditor. I can assure the committee that will happen.

I want the committee members to know that there will be less travel this year than last year. There will be fewer members travelling this year than last year and I want you to feel comfortable in being able to say that if you feel it's necessary at any point. I've been listening to the committee where we've been trying to zero in—the budget is to make moneys available so we can carry out, along with our auditor, the investigations we deem necessary because of allegations of misuse of public moneys. That's where we are going to zero in our expenditures. After having witnesses before us last week and having heard the committee members for two weeks telling me how they would like to move in certain directions, that's how we have structured the budget.

Mr Tilson: A question, to anyone I guess: We seem to be moving towards the next subject of an inspection of hospitals. Specifically, the Toronto Hospital has been referred to. If we get into areas such as this, if things are revealed, the auditor may have a further report. I don't know where we are going. I guess my question is whether the clerk thinks sufficient time is being set aside in the summertime in case we get into other areas such as that. Obviously we will be spending more time with respect to interviewing candidates, but we may be obliged, for obvious reasons, to spend some time on investigation with respect to hospitals.

The Chair: Okay. I believe I've asked for just about the maximum that committees are given under normal circumstances, and that is the four weeks. We can certainly ask for five weeks if we think we are going to use five weeks. I don't see why we might not use five weeks once we start to delve into some of the things we heard.

Mr Tilson: The reason I say that is that obviously a large portion of that time will be spent dealing with candidates, whereas normally we might be looking at other areas. The Legislature is asking this committee to deal with a specific issue, which I gather now we're being told is a little unusual—and I support it because I think this is the committee that should be doing that, performing that role—but we do have other obligations to pursue. We do have other areas which this committee may choose or may not choose to do. In light of the fact that we will be spending considerable time with interviewing candidates, should we not be allowing for some time to deal with other topics, such as hospitals?

The Chair: Good point. Mr Duignan and then Mr O'Connor.

Mr Duignan: I would like to follow on with that point. I think the hiring of the auditor is an extraordinary process and should not be seen as part of the regular, ongoing work of this committee. It should be separate and the committee should be allowed that extra time to deal with the hiring of the auditor. The regular time that's allotted during the recess to deal with other matters should still be allowed to continue.

Mr O'Connor: I believe last year when about this time we were going through the budget for this committee, we made recommendations and time allotment for the committee to sit during the recess periods. We didn't receive what we asked for from the Board of Internal Economy and went back to it asking a second time. In fact, I believe the whole committee went into the Board of Internal Economy to make our point and we came away with a little bit better.

I think the difficulty you may have, Mr Chair, when this is presented to the Board of Internal Economy is the fact that it will take a look at the large amount of time we have set aside here. I don't think it's being overly generous at all. It is quite frugal in handing out time for a committee to sit, so I think you'll have to make the point very clear to the Board of Internal Economy when the budget is presented that the time we're asking for is not only for the

committee, as my colleagues have mentioned so far, but will also be for looking for the Provincial Auditor.

But I don't believe we'll need the entire committee for a lot of that process. We have talked about the subcommittee actually doing some of the screening so that we get down to a smaller number, so you may want to point that out to the Board of Internal Economy when that time comes.

1040

Mr Duignan: That was precisely my point, and in separating out the costs of the auditor from the regular committee budget, that should be seen as an extraordinary process this committee has to go through, and the regular business of this committee still should be reflected in the regular budget of this committee.

The Chair: I'm going to recommend to the committee, then, that we set aside two weeks to complete the process of hiring the Provincial Auditor. I foresee one of those two weeks with the full committee sitting and possibly the first of those two weeks with the subcommittee sitting. Then I'll recommend to the committee that we set aside three further weeks to do the work it appears absolutely necessary we do. We've got to get to the bottom of this problem at those hospitals.

The clerk aptly points out that of those three weeks one of them is going to be taken up with that conference by the subcommittee. So it's going to be two, two and one.

Ms Christel Haeck (St Catharines-Brock): I think we should really make a pitch for that extra time, at least try. We may not get it, but the point is to try.

The Chair: The two, two and one?

Ms Haeck: Yes, whatever additional times we can in fact negotiate, because I have heard from constituents in St Catharines who are anxious to get to the bottom of some of this. I think we're all in concurrence that in reality this is an area which does need to be delved into at some greater depth.

The Chair: That'll drive the budget up further.

Mr Cousens: I'll second the motion on it.

Ms Haeck: How many letters would you like supporting this activity?

The Chair: How about if we redo our budget with all the changes the members have suggested? We're going to ensure absolutely that the time and the cost necessary to go through the procedure of hiring a new Provincial Auditor will be separate and very clearly so.

I ask that the committee members speak to and explain to their House leaders in advance—I'll certainly speak to the Liberal House leader—that we need two weeks for the process for the Provincial Auditor and a minimum of two weeks to look at this matter with the hospitals. I will be making that pitch. I don't know how we're going to get anything done unless we get this time. We will not get to the bottom of the presentation made by the group that came before us last week unless we have that time. Does that sound fair? We'll come back to this on the 28th.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1991

Consideration of section 2.8 of the Provincial Auditor's 1991 annual report regarding the inspection audit of the Toronto General division of the Toronto Hospital.

The Chair: I think that during our discussion of point 1 on our agenda we have, in a way, discussed also point 2, and that was discussing section 2.8 of the Provincial Auditor's 1991 annual report, inspection of the Toronto Hospital.

I was wondering, maybe the auditor might want to tell us his opinions as to how we should proceed, generally speaking, and what would be most efficient, if you have any ideas on that at this time, so that the committee members could maybe have clear in their own minds what role your office is going to play, so that we could kind of coordinate our work together? If there are any questions and answers, we may be able to resolve them this morning or may be able to have greater cooperation as we go through this process. I think it's going to be very important that we have a structure in place, as we review all of this matter, that makes us as efficient as possible.

Mr Otterman: Yes. Mr Chair, perhaps you could give me some idea on the process and the type of motion you have in mind.

The Chair: We're handing out a draft motion right now. The motion reads as follows:

"The standing committee on public accounts requests that, under section 17 of the Audit Act, the Provincial Auditor perform a follow-up audit, with full access to the financial records, of the Toronto General division of the Toronto Hospital and report the results of this audit to the committee. The audit should address, but not be restricted to, the following: the new computer equipment at the Toronto General division; contracts with Begley and Associates; recent construction/renovation projects at the Toronto General division.

"This audit may also take into account the concerns raised at the committee's hearings in February and May 1992."

That is our first draft.

Mr Otterman: Mr Chair, given the nature of that type of request, the normal procedure would be that if the committee passes this resolution we would make arrangements to meet with the hospital people first and basically structure the audit and how we would want to conduct the audit. We would normally not come back to the committee, provided we were not encountering any problems. If we felt we were proceeding in a manner that was getting the information the resolution requested, we would not anticipate any interim briefings or reports. That's based on past practice and it's probably just a matter of timing and practicalities. We would issue the report to the committee on finalization and then it would be a public document and you would schedule your hearings in the normal manner.

Mr Tilson: Mr Chairman, has someone made this resolution?

The Chair: It's just a draft motion for discussion.

Mr Tilson: Certainly I'm prepared to make the resolution and support it, but my question to Mr Otterman is: Is the draft extensive enough in light of the difficulties the auditor had when visiting the Toronto Hospital in the past? Particularly having access to particular records, at least in my observation, you've met with substantial resistance.

Mr Otterman: Having just seen this wording, I couldn't give you a definitive answer right now. However, I would point out that under section 17 of our Audit Act we still could encounter resistance, and if that were to happen, that would certainly be the point when we would come back to the committee and say that we could not proceed in the manner you had instructed us to. So you would be fully aware and could consult and give further guidance.

Mr Tilson: It's for that reason that I'm raising the issue, because from what I've seen listening to the representatives from the Toronto Hospital, there's no reason why that won't occur again. Notwithstanding the provisions of the Audit Act, can this committee direct you—not direct; I guess we can't direct you to do anything—but request that you do certain things?

Mr Otterman: I think, under Section 17, what you've done here is what you can do. However, perhaps I can defer to the clerk to address what powers this gives us. In the past we have had some precedents. I believe in the investigation of the IDEA investments back some years ago we were asked by the committee to investigate some of the companies that were connected with that and we sought the cooperation of those companies. However, when they refused, that was the extent of our power under the act, and we reported back to the committee.

Mr Tilson: Mr Chairman, I've been concerned about this issue for several reasons. One was because the Provincial Auditor's office has told us it met with substantial resistance when it attended before. Second, from my own observations, when the representatives from the Toronto Hospital were before this committee, many of the answers—I don't know whether members of the committee would support me or not, but in my opinion at least, they were evasive and did not address some of the concerns we were getting at. So I don't believe we have adequate answers for many of the issues you have raised.

My concern is that we don't want to send you off and then have you come back. I believe there's enough evidence now, with the presentations made from the Toronto Hospital, from your own comments that they gave you resistance, and, more important, from the most serious allegations that were made last week when the representatives of CUPE came before this committee.

So I think there are enough facts there that whatever power we have, if it could be done in this resolution—and it may be my not understanding the procedure enough—if we have certain powers to do certain things, asking or requesting that you do, I believe that should be in this resolution. That's my only question to you: that we ask for your guidance that you tell us the wording is adequate enough in this resolution.

1050

The Chair: We're running a list. We have Ms Murdock, Mr Cousens, Mr Duignan and Mr Cordiano.

Mr Tilson: Before we get to that, I wonder if Mr Otterman could comment.

The Chair: I think you may want to look at it a little longer before—

Mr Otterman: Yes.

The Chair: Yes. I think he needs a couple of minutes with the motion. As we're waiting, we'll continue. We're running a list.

Ms Murdock: Actually, Mr Tilson and I are thinking along the same wavelength, because my concern is that this doesn't state it fully enough: that just putting "with full access to the financial records" is not strong enough.

What I'm wondering too, along the same vein as Mr Tilson, is what recommendations could be made by this committee as to sanctions, should there be any resistance or those kinds of possibilities, in order to have access to non-transferred funds or non-governmental agency funds. Since that seems to be the area where they get the most resistance in terms of access to the books, do we have any recourse to any other pieces of legislation in terms of investigations by agencies other than this committee if we don't have the power to go any further?

The Chair: We've said here in the motion "with full access to the financial records." I guess we could say "with full access to all the financial records."

Mr Otterman: "Financial and related records" would strengthen it.

The Chair: Yes. We'll change some of those words around.

Mr Cousens: I concur. The only point to add is the time frame. I would like to see some reference to when the auditor would try to report back. Jim will be good at giving us an interim report along the way, but I hope we can start this without delay and report back as expeditiously as is possible.

Mr Duignan: Again, I think we're all saying the same thing. I had a real concern last February when the people from the Toronto Hospital were here and they were totally evasive in their answers. I couldn't agree more with Mr Tilson—the question, for example, around the administration and administration salaries. For example, down in the Burlington area, Joseph Brant Memorial Hospital down there, sheer public pressure finally made it reveal some of what its administration costs were. Hopefully, by this committee doing this resolution it will force them too to reveal or open up all their books to access by the auditor.

Mr Joseph Cordiano (Lawrence): I would like to ask the committee what our objective is in setting this motion forward. I think we've discussed this particular issue in the past with respect to the powers under the Audit Act. I really think the issue is not so much how we word this motion. If we're attempting to show the inadequacies of the act by attempting to move forward in this fashion, then that's an objective you surely will meet by taking this action. If, on the other hand, we really want to get informa-

tion, I think we have a long time to wait until the act is changed. That's really our primary objective.

So I would not want, first of all, to commandeer the resources of the auditor in an exercise that's futile if we're going to spend a great deal of your time doing that and once again coming up against roadblocks that inevitably will be thrown at you.

So I think we need to think this through in terms of our objectives, what we really want to accomplish, and not get hung up about the wording of the motion, because I think you're still going to encounter those difficulties. Our act does not give you unlimited powers. I think this will be challenged quite fiercely by the institutions you're entering.

I think as a committee we need to understand that and set those parameters. If it's so desired that the auditor spend his time to prove this objective, then yes, by all means let's move forward if we understand that that's a primary objective. On the other hand, if that's not a primary objective, then let's not waste the auditor's resources by coming up against roadblocks time and again.

Mr Cousens: Mr Cordiano is making a point that we shouldn't just overlook.

The Chair: I'm not going to overlook it.

Mr Cousens: But to address what he's just said—

Ms Haeck: On a point of order, Mr Chair: Can you check whether I'm on the list? I know I was on the list and I do have some comments in relation to this.

The Chair: Your point of order is well taken. As a matter of fact, my list shows that you're after Mr Cordiano, and then Mr Cousens.

Ms Haeck: Thank you very much, Mr Chair, and thank you, Mr Cousens. You are always a gracious colleague.

The one thing I did want to raise around the comments Mr Cordiano just made is that the point is the Audit Act. I really, truly have to say that I have had letters from constituents who are concerned about how hospitals are spending their money, and they have also talked about the fact that they are concerned about the Audit Act. As a result of that, I have continued my lobby of the Treasurer to find out what is happening to those proposed changes.

Something that's incumbent upon this committee—I would call it a two-pronged attack—is to make sure we do make our opinions regarding the Audit Act and the changes we would like to see happen known to the Treasurer, and do that forthwith. On the other side, we are all concerned, as has been evidenced again today, with how public moneys are spent and that we do not just encourage but in fact mandate the auditor to follow up.

Having sat on this committee last February to listen to the universities making their presentations and realizing the kind of impact our concerns had on the university community in this province and the changes they have undertaken as institutions, I think it really behooves us to follow through on the proposed motion and thereby communicate to the hospitals within the province that we are definitely concerned about how public dollars are being spent and lend weight to anything the auditor is trying to do in that regard.

The Chair: Mr Cousens, thank you for waiting.

Mr Cousens: If there's some concern that we don't have sufficient control through a motion and through the Audit Act, if it were necessary to have a bill brought to the Legislature, I would strongly endorse that this committee bring forward special legislation, following discussions that the Chair could have with Mr Otterman and other people, and that we have the House leader table it. It would receive full party support from our caucus, and knowing where other members are coming from, I think it would receive quick support so that we could do what was necessary and correct and there would be no fooling around.

I don't think there's anyone in this committee who doesn't want to get to the bottom of it. Let's just make sure we do it right. I personally would be prepared to work with anyone to make sure the truth is finally unveiled.

Mr Cordiano: I think that's probably not a bad suggestion at this point in time, since we've moved forward in this regard, with the auditor probing, if you will, in the past and finding it difficult to achieve stated objectives and ascertain the information that's required to really move things forward.

I think the point you made earlier, Christel, was well taken in the sense that once the auditor begins to ask questions you get some movement there. However, I'm concerned that if we continue to do this, I don't think the auditor has the resources at the present time to just do that. If it were a full audit, then that would give a signal to people that they can be audited at any time. I think that's really what the auditor's role is, to ensure that by example—if you were to do an audit on every single transfer recipient I don't think you have the resources. You can't do that right across the government, so we try to do it in a targeted fashion that in the end tries to achieve the objective of people looking at it and saying, "This is an example." Therefore, you have to be on alert because you never know when you're going to be audited.

At this point, if we're serious about allowing the auditor to move the yardsticks forward, we should take some immediate action. Other than that, I'm simply not prepared to move forward with the kind of role we've indicated in the past the auditor should take. At this point we need to discuss this more fully and state some objectives that are going to be a little more far-reaching at this time.

1100

Mr O'Connor: There was one area in the motion that I don't think has been addressed that was addressed by the presentation we received from CUPE a week ago: personnel and management. I was wondering if this would allow that auditing to take place. They mentioned it, I think, around page 4 of the report and again on pages 21 and 22.

I think it would be appropriate, if possible, for them to take a look at some of the changes in personnel in regard to layoff and hiring practices. It seems to have been a concern that CUPE presented as well as some of the more common things they had talked about; for example, the pumps and the beds and the huge dollars in those two areas that they'd mentioned in the report. Perhaps you would

naturally follow with some of the discussion they presented to the committee in the report. Whether it would have to actually be in the motion or not, I would just like maybe some clarification.

Ms Murdock: I see Mr Cordiano's point. Under the act they have gone in, done an audit and encountered resistance. I think this should be seen as having a legislative committee giving them further import and impact in going in and asking for the same information. I think it's pretty evident from what everybody's saying here—we expect they're going to get resistance again. But it adds import to the letter we're sending to the Treasurer as proof positive that changes to the act are needed and they should be done ASAP if not, as Mr Cousens suggests, immediately.

I've only recently been added to this committee so I haven't had the advantage of your February hearings, but in the short time I've been exposed to some of the things here it's pretty evident that the act just isn't powerful enough in certain areas and needs to be reinforced. The point of changing the act, as Mr Cordiano suggests, if that's our intent—I think this needs to be done, or this resolution should go through, just to add impact to the whole thing and at the same time we don't sit back idly and wait for this all to happen. We can still be working with the auditor's office to see what kinds of amendments should be done or indeed if a different piece of legislation should be put through.

Ms Haeck: I want to raise one question with Mr Cordiano. While I appreciate everything he is saying and don't in any way totally disagree, I would be concerned if we sort of put this very important investigation aside to lobby and work solely on the Audit Act. My question to you is, what would you propose we do in the meantime if we don't try to get to the bottom of some of the very real concerns at Toronto General Hospital?

Mr Cordiano: Could I respond to that, Mr Chairman? It's a sensitive issue. I'm not suggesting we put this on the back burner. I'm just saying that if we're going to continue in this vein, understanding that we're always going to bump up against resistance, then I think it's incumbent upon us to realize that obviously we're not going to reach stated objectives through this method, and at the same time understanding that perhaps this should go through—we know what's going to be the outcome—at one and the same time determine in our own minds that at this point in time we should take this opportunity to then move forward in a serious, direct way if we mean business about this.

If we don't, then let's just understand that as well. We've been dealing with this for a number of years, and if we want to continue as we have in the past, by all means let's just understand that among ourselves as a committee and realize that we have limitations with respect to how we are mandated under the Audit Act. But if we're willing to move forward, and as legislators understand the importance of doing that, in fact there couldn't be a more meaningful point in time to be undertaking this exercise.

Ms Haeck: I think we're all in concurrence. It's not a matter that we're really trying to put anything aside. We actually all want to move forward on this particular motion, but

with the understanding that we do have to be moving in other areas as well, as in the Audit Act.

Mr Cordiano: I'm using this as an opportunity to say to all members of the committee that now is the time to take this thing seriously and to move it forward. Whatever means we use as a committee I'm in favour of as long as they're within our mandated operations here, but I think we can legitimately say to the House, in some fashion, by some method, that we as a committee want to see movement on the act.

Whether that's through the vehicle of a bill that's presented to the House leader in agreement with all three parties, I'm not sure, but let's examine that. Let's just simply say that we need to take some action now. We have serious problems with funding our transfer recipients. We all understand the pressures that the government's under with respect to funding.

I think this is a way for members being responsible to their constituents. You've heard and I've heard from many people that there just isn't enough money to go around. I think one of the areas that we as legislators, this assembly, should be looking at is those transfer recipients. We've been talking about this for a number of years and I think now's the time to move. There hasn't been a better time.

Ms Haeck: No, I think we're all in agreement actually.

The Chair: I think the auditor has something to tell us.

Mr Otterman: I recall back to the February hearings. I just want to raise this in true audit fashion; I shouldn't prejudge the situation. The Chair or Vice-Chair who was here that day, or the president—I can't recall exactly which—did say that if the Provincial Auditor came in today with new management there would be excellent co-operation. This would be an opportunity to find out of course whether that existed. There is also quite a change in the senior management there, so I just want to mention that that was what was stated at those hearings.

Mr Tilson: Can I ask how long this draft resolution has been before us? If we were to put this forward to pass, could we put a time frame as to when an audit could be completed, a time frame to report back to this committee?

Mr Otterman: This is a bit of a guesstimate of course, but given the time of year, the summer period, anything before our reporting in September would probably be out of the question. We could entertain a motion asking the auditor to report back by a date of September. If you could allow some flexibility in that, though, it would be appreciated.

Mr Tilson: September 1, the end of September, what do you think? I'm going to consider making this resolution, and that's the only item I see that we need to put in the resolution.

Mr Cordiano: Could you explain why, just for my purposes? It's not a big issue, but I'm curious as to why a time frame. We generally don't do that with the auditor. We allow the auditor to report back to us.

1110

Mr Tilson: If he can't make it, he'll tell us. If he can't get it done in September, he'll tell us.

Mr Cordiano: I'm not saying we have to do things the way we've always done them. I'm just wondering why. Is there any particular reason with respect to this?

Mr Tilson: Well, I think this is a serious issue. Two issues have been drawn to our attention. One is that the Audit Act needs reform. In fact, my belief is that there is already a draft Audit Act sitting on someone's desk somewhere. I don't know whose desk, but I hope it comes forward soon. Every day, whether it's Education or whether it's Health, we're finding that the legislation does need to be changed, that the auditor is restricted.

The second is that this whole subject of hospitals is of grave concern to all of us and I think we're remiss if we don't act as soon as possible. I don't want this thing to be reported back "in due course." If it's a reasonable date, if some time in September is a reasonable date and you find that you're having trouble reaching that date, I assume you'd come and tell us.

Mr Cordiano: If I could just respond to that, given the time that's required, I would be somewhat concerned that if we were to wait until you either came back with a somewhat acceptable report or found resistance, we would then be putting off our time schedule for doing something to move forward with amendments to the Audit Act way ahead in terms of the fall sitting—that would probably be the earliest time for any action—and by the time this legislation were dealt with, it would be the spring of 1993 or beyond that, the way things move around here.

If we're very serious about this, I think we need to respond probably now, start the process at this point in time, and then hopefully by the fall we can see some movement with respect to possible amendments to the act and then line up some time in the legislative session for that to occur. I just think we need to move more quickly than that.

Mr Tilson: That is the reason I asked. I'd actually hoped that if the auditor discovers serious issues, this committee could have spent some time during the summer months. But Mr Otterman is telling us the earliest he could report back to us would be September, which would preclude this committee dealing with this matter further until that time. That's essentially what you're saying.

Mr Otterman: We could try, but I wouldn't want to promise. Six to eight weeks in the summertime, with people being away, depending on how it goes, the debriefing process and getting the right people at the right time and all of that, could be very difficult.

Mr Tilson: Mr Chairman, I would move the resolution. There are some suggested amendments which I concur with and a date that the auditor—

The Chair: You want a date, Mr Tilson?

Mr Tilson: Yes.

The Chair: What is the date you are recommending?

Mr Tilson: September 1 or September 30? The 15th of September?

The Chair: If we wait until the end of September, we won't have any sittings.

Mr Tilson: The 15th of September. He's telling us it's unlikely that he can be any earlier. The earlier the better, but—

The Chair: The only reason I point that out to the committee is that we may want to do a couple of other things then during the two or three weeks in the summer. There have been some ideas floating around from members that there are other matters they want to look into.

Mr Tilson: Without this report coming back, we're pretty well precluded from doing that in the summer.

The Chair: Exactly. Just as long as we all understand that.

Ms Murdock: Rather than just set a finite date, could we not just say early fall? Would that appease Mr Tilson?

The Chair: Say September 1, and if there's a problem, we'll be notified in due course. We all work together on this committee.

Mr Tilson: I would so move that resolution, Mr Chairman.

Mr O'Connor: I never heard Mr Otterman talk about the personnel, medical and administration. Would that have to be in the resolution or can that be addressed without being in the resolution through your routine audit process? That was one of the areas that was raised by CUPE when they were here before us.

Mr Cordiano: What was that? Can you repeat that for me?

Mr Tilson: It's in the final paragraph.

The Chair: I will read to the committee the amended resolution. It was moved by Mr Tilson:

"The standing committee on public accounts requests that, under section 17 of the Audit Act, the Provincial Auditor perform a follow-up audit with full access to all the financial and related records of the Toronto General division of the Toronto Hospital and report the results of this audit to the committee by September 1, 1992. The audit should address, but not be restricted to, the following:

"(a) the new computer equipment at Toronto General division;

"(b) contracts with Begley and Associates;

"(c) recent construction/renovation projects at Toronto General division.

"This audit may also take into account the concerns raised at the committee's hearings in February and May 1992."

Discussion: Mr Cordiano and Mr O'Connor.

Mr Cordiano: If the auditor should receive some difficulties along the way in terms of retrieving information or access to this information, I believe it might be wise to report back to the committee in the interim the difficulties you're experiencing. Therefore we would probably have a report, in that scenario, before September 1. That would kind of indicate to us that you're not going to get any further than we anticipated, so therefore we're at the point where we are today, basically not having gone any further ahead. Would that be acceptable or reasonable?

Mr Otterman: Yes. I believe that in some earlier comments I made, I indicated that that would be the normal procedure.

Mr Cordiano: At that point we would then be able to determine that you're certainly not going to make any headway with respect to this issue, and therefore we're back to square one.

Mr O'Connor: This is on the motion as well, the final sentence. I haven't heard, Auditor, whether we need to put that into the response. Could we change, in the last sentence, the word "may" to either "should" or "shall take into account concerns raised"?

Mr Otterman: Mr Chair, that covers a great deal of waterfront if you change that to "shall." There are many issues, as you recall, raised by the brief from CUPE as well as arising from our audit that would have a time and resource impact. So my recommendation would be that if the committee desires to add an additional definitive part, that would be preferable to saying "shall" to all the other concerns.

Mr O'Connor: Could you respond to my comments about the personnel?

Mr Otterman: An initial reaction to that is that it would be probably a more difficult area to assess, because I think it ties back in with the whole background of the merger and the alleged savings. As you know, the testimony in February by the hospital people was that they never intended to track it, and the records—I think they said you couldn't verify it. I'm just cautioning that this could be a grey area and it could be very difficult to come up with something auditable in that area. But certainly, if it's the wish of this committee, we could try.

Mr O'Connor: Would it be possible to amend the motion to direct the auditor to look into the personnel numbers of medical and administration for a period of time? That was one area that was raised; it was raised several times when they were before us and referred to at page 4 and pages 21 and 22 of the CUPE report. It's just a concern.

1120

Mr Tilson: I appreciate what you're saying. We don't know the accuracy of those allegations. The auditor's office may simply determine at the very outset that those allegations are not well founded. I am certain that if the auditor found the allegations were well founded, the auditor would proceed, but I don't think we should be sending the auditor off on some wild goose chase. The staff may come to the conclusion that those allegations simply aren't true, so I'm not prepared to amend that. I think the resolution is general enough. It allows the auditor and the auditor's office in their discretion to make all of those inquiries.

Ms Haeck: I am going to concur with Mr O'Connor. The reason is that I have seen in various media—I think we all have—that there is a very clear concern in the public about executive salaries and the golden handshakes and parachutes and a few other things happening these days that are very much hidden from public view. In a private

company, the stockholders obviously bear some responsibility, as well as the board of directors, to try to ascertain and keep a lid on that, but in the case of an agency like this, that receives hundreds of millions of dollars of public moneys, I think it has to be very clear to all and sundry what is happening in this regard.

We really took the bull by the horns with regard to the universities and tried to ascertain as well as possible what kind of contracts were concluded. There were very clear questions to my alma mater, Trent University, on the kind of golden handshake it gave one of its outgoing presidents. That was a substantial sum of money, if I may remind Mr Tilson.

Likewise here. With some of the perks of office, as well as the kind of moneys involved, I think it should be clear to all and sundry what is involved and what these moneys are going for.

Mr Cordiano: It goes back to the original question: Just how much time do we want the auditor to dedicate to this? The resources are not limitless. The time the auditor has allocated to undertake the three items we've suggested already indicates to me that about a three-month period is required. If we're going to ask the auditor now to look into a number of areas that have been mentioned here previously—that you've brought up, Mr O'Connor—I think it's a real problem in terms of the resources available to conduct that extensive an audit, which the auditor has indicated very clearly would require a great deal more work. It really comes down to how many resources the auditor has, and that again speaks to the original issue I raised at the beginning, that we need changes in the legislation to permit the auditor to move that much forward with additional resources, if we're going to move in that area.

The Chair: There appears to be a wish here by some members of the committee to amend the motion that's on the floor, so I'm waiting to hear an amendment.

Mr Duignan: I just wanted to speak. I concur with Mr Tilson, except that I think the way this particular motion is drafted right now is fairly broad in its scope, that it would give the auditor leeway to go in and look at all aspects he felt needed to be looked at.

Just a question: There is no existing legislation right now that compels a hospital administration to disclose administration salaries, is there? They don't have to disclose them.

Mr Otterman: None that I'm aware of.

The Chair: The Minister of Financial Institutions mentioned something he wanted to undertake to disclose salaries in the public sectors. Maybe he could—

Mr Tilson: It's private companies that tell their salaries, not public.

The Chair: But I'm saying that maybe while he's doing that, he could broaden his attempt to get full public information out by including everybody in the public and para-public sectors.

Mr O'Connor: In the form of an amendment, then—I'd appreciate a little help in wording it—perhaps we could direct the auditor to take a look at concerns raised around

personnel, medical administration, and should he feel it warrants further delving into, that he be so directed. Whether we have to put that in or whether the auditor knows the wishes of the committee—

The Chair: Well, the wishes of the committee are split, so I think we have to deal with a motion. I would not want to send our auditor out to do an important job like this and have him worrying, "What is it that the committee wants?" I think we have to pass a motion by a majority of the committee, turn the work over to the auditor and then complete the work when we are able to.

Ms Haeck: My question is a little less tangible, but following up on the amendment, if in your work delving through those records you happened to come across something that would lead you into administrative salaries or whatever, would you naturally pursue that or would that be set aside? Knowing we are definitely interested in that, would you pursue it if you found some records?

Mr Otterman: Other than the questioning and the hearings in February, I don't believe this matter was raised. I'm not sure the CUPE people raised it in their brief.

Yes. It's fair to say that when we did our inspection audits of the universities, if in our normal examination of the accounting and payroll records we came across some abnormal or anomalous type of transactions that raised our curiosity, we followed up on them.

Ms Haeck: In the case of the universities, things that have been raised in the past are chauffeur-driven cars, mortgage payments for houses and things of this sort. If you found that, you would be reporting those for us as well?

Mr Otterman: Yes, although given what we've seen, it wouldn't be the primary matter we'd pursue. If you wanted us to look at the executive salaries or the senior management salaries, for example, to include those in our scope and report back on those areas, I think that would be a good thing to put in the resolution. That way, it's up front. That echoes somewhat the other member's suggestion that if we are going to meet resistance on this, it's going to be over the lack of clarity as well as the individual items: what you really want to look at in that area, for example. It may be best, if you want something in there, to specifically word it.

Ms Haeck: I'm wondering how best to address that. Is it looking at anomalies relating to payroll at all levels? Would that give you the kind of handle on the issue you would require?

The Chair: We can't ask the auditor to write the motion for us.

Ms Haeck: I could try. He nodded appropriately.

The Chair: He's been very helpful. The committee has to know what it wants.

Mr Cordiano: Given that question, if we were to move on that, how much additional time would be required if you're increasing your workload? We're asking difficult questions in terms of setting the right time, because we're setting a limit on it. I'm just concerned that

you're going to be off and running and find all kinds of interesting things, if you're even allowed to get that far. By all means go for it. If you're allowed to access those records, we've accomplished our objective.

Mr Otterman: If I can respond to that, who knows what we're going to encounter when we get into this examination? There may be other matters that come to light. I think it would be appropriate for us at that time to come back to the committee, in camera if necessary, and relay what we're finding and what our concerns are. Then the committee would have the opportunity to direct us further, and that would then maybe mean another assignment or something outside of the original report that we'd be giving you.

1130

Mr Tilson: The resolution says "perform a follow-up audit with full access to all financial records." I can't believe that if the auditor's office finds something that's out of the ordinary, the office isn't going to report it. They are not doing their job if they don't. I concur with the points that are being raised over here, but I think the resolution is a good one because it's so general.

Mr O'Connor: I guess the purpose I was trying to raise in directing the auditor, or hoping to, in the form of an amendment, was to have him look at the personnel.

The Chair: Can I summarize what I think you want? You want the auditor to look at the personnel because you believe the management has become top-heavy as compared to the front-line workers, and you believe that because of the merger, front-line workers have suffered and the management has not. Is that basically what you are trying to tell us?

Mr O'Connor: That's what we heard from the representation from CUPE.

The Chair: Could I ask the auditor how he would go about investigating that?

Mr Otterman: You can ask, Mr Chair.

The Chair: We might as well get right to the point, because we've been nibbling around the edges here for half an hour. I think we've got to address the question frontally.

Mr Otterman: That would require looking at and analysing the various staffing and workload factors over some time period, to be able to place those changes in context. You could get into a whole range of things. Some of it could be new technology, a host of things. It would be, let's say, a more difficult, challenging area to do because in our previous audit we were denied any information, as you know, on merger savings or any of these changes that took place. Therefore, that could be a difficult area to pursue.

The Chair: Do you want to add that to your motion?

Mr O'Connor: I'd like to add that to it, and whether it's a task the auditor could accomplish. I'd like to be realistic about it. If the auditor doesn't feel that it's something that is achievable, then there is no sense in putting that in there and tying his hands in coming to this committee with a report in September, making him work need-

lessly for something he can't give us, something that's unachievable.

The Chair: The member wishes to pursue this matter strenuously, but he has concerns that if it is added to the motion, he may be giving you work that you may not be able to achieve. He wants some clarification on that.

Mr Otterman: I would respond that like any other part of this motion, we'll take it as far as we can go, if that is the wish of the committee. We just don't have the audit knowledge base, because we weren't allowed to see this information, to be more informative at this point on this.

Mr Cordiano: I think we can just put the motion forward then.

Mr Tilson: I think it's general enough, Mr Chairman.

The Chair: Do you want to make your amendment?

Mr O'Connor: I'll agree with the motion as set forward. I think that through the discussion we've heard, we're going to end up tying the hands of the auditor anyway if we do proceed any further. Perhaps later, as we deal with the letter to the Treasurer, maybe it will help the auditor in performing his function.

The Chair: All in favour of Mr Tilson's motion?

Motion agreed to.

The Chair: Okay. Members were distributed and received draft letter 2.

The clerk reminds me that a copy of the committee's motion is going to be sent to the hospital so that it has the understanding that the committee has instructed the auditor to carry out these responsibilities.

The members received draft letter 2, dated May 11, 1992, addressed to the Treasurer of Ontario. We've had a chance to review this letter over the last few days. I wonder if the committee is prepared to pass a motion to accept the letter.

Mr Duignan: This particular part of the meeting, is it not in—

The Chair: I can't hear you, Mr Duignan.

Mr Duignan: It's okay, Mr Chairman.

The Chair: Oh, you're happy? Ms Murdock.

Ms Murdock: Since I was the one who raised the change, or the suggested change, I think it's incumbent upon me to speak to the conclusion or the submission that was made by Mr McLellan. I thought it was fine the way it was. My only one consideration was that the section that was changed on the last page could possibly be a separate paragraph, but I understood it fit within the context of the paragraph on the page before it and continuing. So I liked it the way it was. I think our point has been made.

The Chair: Any further comments on the draft letter? Can I have a motion that we accept the draft letter and that it be prepared for our signatures?

Mr Tilson: Mr Chair, why are we all signing it? Why don't we just direct you to sign it? Is this normal practice?

The Chair: The previous committee had decided that all members would sign, which was the previous committee's decision, and the clerk, since she received no

other instructions on the matter, prepared it as the previous committee had suggested.

Mr Tilson: It will take two weeks to track everybody down.

The Chair: Does the committee want me to sign and send it?

Mr Cordiano: Can we amend it so that the Chair can sign the letter? Let's just amend it.

The Chair: Is that okay? That's what we normally do anyway.

Ms Murdock: Just on that point, not that your signature doesn't have any import, but I know that if the Treasurer were to receive this with that many signatures—but Mr Tilson's point that everybody is going to be difficult to find is well taken. Let's face it, if you saw a letter with that many signatures at the bottom, certainly the impact of it would be much more significant than a single signature. So I think that in the absence of doing it with the many signatures, we should then make sure that we speak on an individual basis to the—

The Chair: We're going to add a line that says I've been instructed by the unanimous consent of the committee.

Ms Murdock: Okay. I think it's important that he realize that it's unanimous.

The Chair: It is unanimous. It's been agreed then. We have consensus that draft letter 2 be sent immediately. We're adding a sentence at the end that the Chair has been instructed by unanimous consent of the committee to send the letter.

Before we get to our closed session and the discussion of the draft report on substance abuse, next week being constituency week, the committee will not be able to meet, but the following week I plan to schedule a meeting, the same time, the same place maybe, or maybe committee

room 251. I'm not sure. I'd like you to block some time off.

Clerk of the Committee: It is 228.

The Chair: Oh, it's 228. Okay. That's right; you're right.

Interjection: Room 251 is the government caucus.

The Chair: Yes, it's the government caucus. Yes, that's right. There was a reason why. I'm two years early to convene meetings in that room.

Mr Cordiano: Three.

The Chair: Two. So what's the date? We'll be meeting again on May 28. The committee, unless there's anything else we wish to discuss in open session, will now go into closed session.

Mr O'Connor: One other question: I don't know whether we want to deal with this in camera or not. The questionnaire that was filed for the committee to fill in the blanks, so to say, has been something that's been with the committee for some time. Perhaps we should deal with it. I don't know whether we should be dealing with it—

The Chair: Can we deal with it on the May 28? I want to get the committee to these draft reports that have been hanging for a month. If we don't give Ray some time to do his work this morning, we're not going to get past these draft reports ever. Could I put it on the agenda for the 28th?

Mr O'Connor: Quite all right.

The Chair: I hear you. It's been dragging too, but these other matters have come up that have taken the committee's time. The committee now will go into an in camera session to review the draft report on substance abuse.

The committee continued in closed session at 1140.

CONTENTS

Thursday 14 May 1992

Committee budget	P-21
Annual report, Provincial Auditor, 1991	P-25

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- *Chair / Président: Mancini, Remo (Essex South/-Sud L)
- *Vice-Chair / Vice-Président: Cordiano, Joseph (Lawrence L)
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- *Cousens, W. Donald (Markham PC)
- *Duignan, Noel (Halton North/-Nord ND)
- *Frankford, Robert (Scarborough East/-Est ND)
- *Haeck, Christel (St Catharines-Brock ND)
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- *Murdock, Sharon (Sudbury ND) for Mr Johnson

*In attendance / présents:

Also taking part / Autres participants et participantes:

- Otterman, Jim F., Assistant Provincial Auditor
- Sciarra, John, administrative assistant, Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



P-4

P-4

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 28 May 1992

The committee met at 1036 in room 228.

COMMITTEE BUDGET

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. We have a brief agenda this morning. Item 1 is the approval of the committee budget; we had some discussion on it last week. I believe we incorporated into the budget all of the suggestions of the members. As noted by the members, we separated out the cost of the selection of the new auditor. Further to that, we added a lengthy explanatory note in regard to a couple of the high-cost items in the budget. So if the members are now satisfied with the layout and with the numbers that appear in the budget, we could make a motion approving the budget and sending it to the Board of Internal Economy for its approval.

Mr David Tilson (Dufferin-Peel): There's a sheet we were presented with summarizing the estimated advertising costs for the selection of the Provincial Auditor. I wonder if the clerk could give me her thoughts on that.

Clerk of the Committee (Ms Tannis Manikel): As I indicated last time, for budget purposes I just put in a sort of middle-of-the-road figure of \$15,000. This is the information I received from personnel giving me an estimate of what it would cost to do the advertising in a variety of newspapers across the country. I have discussed this again with Ellen Schoenberger from human resources. She feels that we could probably get away with just using the national edition of the Globe and Mail. That could cut our costs by about \$10,000.

Mr Robert Frankford (Scarborough East): Was it agreed that there wasn't enough time to put it in a professional journal?

Clerk of the Committee: We still haven't checked that out to verify that we could get it in the professional journal. We aren't sure of the publishing dates. The other thing we don't know yet, and which the committee has to decide, is the time frame. When does the committee want to meet on doing the selection process? That will determine the closing date of the ad. Until we have that information, we can't make arrangements to run the ad.

The Chair: Other thoughts or suggestions?

Mr Tilson: It's a lot of advertising.

The Chair: It is a lot of advertising, that's correct.

Mr Tilson: What does the government do when it advertises a position as major as this?

The Chair: If we decide to go three days in the Globe and Mail, I think that'll get the message out. We can go four days instead of three, or five days, or what have you,

and we can still get the ads across the country and still save \$9,000 or \$10,000.

Mr Tilson: Yes, the Globe certainly goes across the country. Anyone who's interested reads the Globe.

The Chair: Sure, and we can have an ad big enough that would attract anyone's attention. I'm sure there are only a limited number of people who would actually qualify for such a job. They probably know about this even before the ads appear; I'm sure they know now.

Ms Sharon Murdock (Sudbury): There has to be a professional organization that could send out notices to their own members, isn't there?

Ms Christel Haeck (St Catharines-Brock): There is. The Canadian Council of Public Accounts Committees, right? That's the provincial auditors throughout the country, and that includes federal as well as provincial.

Clerk of the Committee: That's the Conference for Legislative Auditors, I guess.

Ms Haeck: But they frequently have a convention at the same time.

The Chair: There's also the Canadian Institute of Chartered Accountants. So you want to go with advertising just in the Globe and Mail national edition? Agreed? Agreed. Is that all right?

Clerk of the Committee: Sure. Now I guess the question is, do we want to decrease the advertising in here to \$6,000? That would lower the entire budget.

The Chair: So we're going to put in a global figure of \$6,000 for advertising; we've reduced it by \$9,000.

Clerk of the Committee: So the new total of the budget would then be \$134,741.

Ms Haeck: Could we also, I guess in some respects as a courtesy, but at the same time it would allow that informal flow of information, more formally indicate to the two organizations we just mentioned—the Canadian Institute of Chartered Accountants and the provincial and federal auditors' group—that an ad will be placed and interested members should contact this committee?

The Chair: Why not? Okay, anything else on the budget?

Ms Haeck: On the advertising again, there was a suggestion that possibly some of the wording—

Ms Murdock: We're not on that.

Ms Haeck: Oh, that's for the ad?

The Chair: Yes, let's finish up the budget. Anything else on the budget? Motion to accept the budget?

Mr Tilson: So moved.

The Chair: Moved by Mr Tilson. Agreed.

ADVERTISING

The Chair: Item 2 approving the advertising for the Provincial Auditor.

Ms Haeck: We had a concern and talked about it before the meeting started that possibly some of the wording could be cut down in the ad. We might save some additional dollars if we kept it down to two paragraphs.

The Chair: What I would prefer is to ask Ellen Schoenberger for cooperation with our committee to see if the ad can be reduced by a paragraph. The ad's got to be as professional as possible.

Ms Haeck: That's true, but it's also a matter of how much space it takes. Some of this is extraneous and could realize a saving.

Ms Murdock: I'm not even looking at it in terms of cost; I'm just looking at its visual appearance. Instead of becoming a basic advertisement listing or itemizing the position in point form or briefly, it ends up becoming almost an essay. It appears to be the style in other advertising of the Ontario government, but I'm wondering why. I don't think this is necessary. Maybe we could lead the way in being a little different.

Mr Tilson: You're doing that very well.

Ms Murdock: I'm not talking about that, and you know it. In fact, I'm pleased to say this is probably one

of the most non-partisan groups that exists around this place.

The Chair: That's the trouble. The public accounts committee should be the firebrand of the Legislature. However, that not being the case—can we just turn it over to Ellen Schoenberger and say that the committee feels the ad is too lengthy and a bit too cumbersome? I really don't think the committee should get into drafting the ads. I would recommend against it.

Mr Tilson: I don't have any problem with the ad, but I agree with you. We have people who are trained in telling us what is professional, and I would support that. If she has approved this or if she has something similar, that would be fine too. It's quite clear we're looking for someone who's independent, it sets forth their qualifications—you have to say that; you have to say all of these things. Maybe there are different ways of doing it that we're not trained in. If she has some thoughts, I agree with your suggestion.

The Chair: So we'll just send it back to Ellen and say: "It's a bit too wordy and can we make it a little snappier or tighter," or what have you.

Okay, let's go in camera, as per our schedule. We're continuing "discussion of draft report on substance abuse," point 3, and then "survey on crown corporations," point 4.

The committee continued in camera at 1048.

CONTENTS

Thursday 28 May 1992

Committee budget	P-33
Advertising	P-34

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- ***Chair / Président:** Mancini, Remo (Essex South/-Sud L)
- ***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
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- *Frankford, Robert (Scarborough East/-Est ND)
- *Haeck, Christel (St Catharines-Brock ND)
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- Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

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- *Conway, Sean G. (Renfrew North/-Nord L) for Mr Callahan
- *Murdock, Sharon (Sudbury ND) for Mr Johnson

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Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



P-5

P-5

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 4 June 1992

The committee met at 1009 in room 151.

ORGANIZATION

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. We have before us an agenda that we would like to go through this morning. The first item on the agenda is a letter from the Toronto Hospital signed by Alan R. Hudson, president. If members have not had a chance to review the letter, I ask that you take a few seconds to do so. If you have had a chance to review the letter and wish to make any comments in regard to the letter, the Chair will entertain them.

Mr David Tilson (Dufferin-Peel): Is that letter before us?

Clerk of the Committee (Ms Tannis Manikel): It was sent out with the agenda yesterday.

The Chair: It should be in the package.

Mr Larry O'Connor (Durham-York): Was that the one we received in the House?

The Chair: I'm not sure. I thought it was sent to your office, but you could have received it in the Legislature.

Mr Pat Hayes (Essex-Kent): This one here?

The Chair: That's the one, yes. It's a fairly short letter, four or five paragraphs; strongly worded, though.

The committee will recall that based on the presentation we heard some weeks ago from CUPE Local 2001, we passed motions instructing the Provincial Auditor to undertake certain work, as I recall that for the committee, and it's apparent from the letter that the hospital administration prefers to meet with the committee before that work is commenced or completed. Are there any comments or wishes from the committee members? Maybe the auditor can update us before we get into the questions and answers.

Mr Jim Otterman: I contacted Dr Hudson on May 25 when we received the letter from the Chair requesting the special assignment. He hadn't received it at that point, but I think his Chair had received it. I arranged to meet with him on the Thursday following, May 28. My senior audit staff and I met with him, explained the assignment, what we wanted to do, how we wanted to do it, and they agreed that we could proceed. I wasn't aware of the letter, which is dated May 21, although I was aware of his concerns.

The Chair: Okay. Anything further? Mr Tilson.

Mr Tilson: I think this is what the committee would welcome, for them to come. That's my recollection, that we were unanimous that we would like some response. If the facts are close, someone is in trouble, and if they're not close, I would imagine there would be statements of claim flying around. They are very serious allegations and this committee cannot ignore them.

The Chair: That's very good. Mr O'Connor.

Mr O'Connor: I recall when we did have CUPE before us and we did have a discussion following that in which they had made some very serious comments. I think we had agreed at this committee that we would then await a response from the hospital, and perhaps we can give them that opportunity to respond.

The Chair: Mr Frankford.

Mr Robert Frankford (Scarborough East): It seems to me that these audit documents they mentioned here around the construction and around the computer would require quite detailed consideration. Could we get those separately from the presentation?

The Chair: That's a good point. Anything else? Mr Sorbara.

Mr Gregory S. Sorbara (York Centre): Just by way of question and answer, sir, I understand that this committee is still seized of the matter of the Toronto Hospital and that the acting Provincial Auditor is doing some work on that. Is that right?

Mr Otterman: That's right. They requested that we go back in and audit these allegations that were made, and any other matter.

Mr Sorbara: Who made that request?

Mr Otterman: This committee.

Mr Sorbara: And that work is now ongoing?

Mr Otterman: We've had, as I just mentioned, our initial contact with them and started arrangements for the audit.

Mr Sorbara: And that audit arises from the submissions of CUPE to this committee?

The Chair: That's correct.

Mr Sorbara: I take it then that once you have completed your work, you will come back to this committee with a report of your findings.

Mr Otterman: That's correct.

Mr Sorbara: I take it that Mr Hudson, as president of the hospital, is not concerned about the auditor undertaking this work. Is that the impression from your meeting?

The Chair: If I can help the committee at this point, I did have a chance to have a brief conversation—and I was going to mention this at the end of the member's comments this morning—with Mr Hudson as to why the committee had asked the auditor to do this work. I suggested to him that because of the complexity of the whole matter, because it dealt with tendering and contracts and computers and staffing and a whole host of things, that it probably would only confuse the matter even more at this point if he were to come in immediately and claim that everything that had been said a couple of weeks prior was in fact not correct.

I suggested to him that he cooperate with the auditor and let the auditor do his work, and that when the auditor's

work was completed, I was sure the committee would give him and the hospital the opportunity to be heard in the same manner that we heard CUPE Local 2001.

Mr Sorbara: I think that's an excellent resolution of the situation. If this committee is still seized of the matter and we are going to be hearing a report from the Provincial Auditor at some time, I think in conjunction with our consideration of that report we should set aside some time to let Mr Hudson make submissions in respect of those matters.

The only qualification I would put on that is if Mr Hudson were of the view that the audit ought not to happen and that the allegations were so inappropriate and so inaccurate that he is suggesting this committee would be wasting its time in asking the Provincial Auditor to do its work. I don't get that from this letter, and in any event, if he is going to be accommodating to the audit process, then I think if we simply invite him to come and speak to the report when the report is made, he'll have an opportunity both to respond to the initial allegations and, more important, be able to speak to the report that's made to us, which we know will be unbiased and accurate.

The Chair: As committee members know, Mr Hudson is a newly appointed president at the hospital. The only other matter he brought to my attention was that after a great deal of effort, he believes he's brought the hospital back into the black. He was only wanting to express his concern that the audit process take into consideration the efforts of the hospital to bring itself back into the black and that he had hoped the audit could be done without a complete disruption of the daily operations of the hospital. I have great confidence that our Provincial Auditor and his staff will ensure that everything is done professionally and will work cooperatively with the officials at the hospital. I'm sure that can be done and I'm sure that's been done in the past.

Maybe we'll just acknowledge the letter and the auditor will continue his work and when the work is completed the committee will again have the chance to deal with the matter.

Item 2 is "Discussion of areas of the Provincial Auditor's annual reports to be discussed during the summer adjournment." We're working up a schedule as to the type of work and what we should be doing and the length of our work for the summer. We already have three or four days scheduled for the Canadian Council of Public Accounts Committees work that will take place between, I believe, July 4 and 9, give or take a day or two. I believe we need to set some time aside for the selection of the new auditor, and that will be dealt with later on this morning, and we may wish to set aside some time to deal with issues that are contained in the annual report of the Provincial Auditor or issues members may wish the committee to undertake.

I think item 2 is the area for discussion in regard to the committee's agenda outside the Canadian Council of Public Accounts Committees work that's taking place and outside the selection and time needed for the selection of the Provincial Auditor. This matter is up to the members. Any ideas or advice?

Mr O'Connor: I recall that earlier on in the session when we met we put together a number of areas we thought we'd like to take a look at within the Provincial

Auditor's report. Perhaps in the way of refreshment we could have that information given to us again. I think there are a number of areas we would like to look at. Maybe I'll ask the legislative researcher to help refresh our memories.

1020

Mr Ray McLellan: If I could just go back to a memo dated December 11, 1991, which was sent to the committee from the office of the Provincial Auditor, in that letter there's a list of possible audits that might be considered by the committee from the 1991 auditor's report. I don't know whether the members have a copy of the auditor's report before them right now, but in the table of contents 2.5 addresses the issue of government microcomputers, and that covers various ministries; 2.6, government minicomputers, and again various ministries are covered; 2.7, government mainframe computers, various ministries involved, and last, 3.16, Ontario waste treatment facility and other matters under the Ontario Waste Management Corp.

Traditionally, the auditor has made suggestions to the committee as a point of departure for discussion. I would also add that when this committee met on November 27 of last year it agreed at that time to address the issue of the hospitals. As the committee will recall, we had a chance to look at the Toronto General division, section 2.8, and also, during February, to look at section 3.6 dealing with hospital operations.

The Chair: Ray, if I could just interrupt for a moment, I think the membership of the committee has changed substantially since these considerations back in November. I'm not sure if at the present time the members feel any urgency to review all these matters regarding computers, whether they are micro, mini or macro. There might be other business that's been carried over from the last committee's work that members might be interested in. Is there anything else members might be interested in?

Mr O'Connor: There was one area that the committee had raised the wish to maybe take a look at further—and the Provincial Auditor touched on it in his report—the differences in cost and what not of nursing homes as opposed to homes for the aged, and provincial money going there. There was some concern about the possibility of taking a look at that. That was something we had talked about. I just open that up as another area we had talked about at one point.

The Chair: That could have been in 1990, which is nearly two years ago now.

Mr Tilson: Mr Chair?

The Chair: Just so I can finish, we're going back two reports instead of just last year's. I'm not ruling it out; I'm just pointing that out as a fact of interest.

Mr O'Connor: That was one area we had talked about. Maybe that was the 1990 report the committee had looked at.

The Chair: Mr Tilson.

Mr Tilson: I'm sorry; I thought you had finished, Mr Chair. I do recall the matter Mr O'Connor had raised and I concur that this is an item—I agree that the composition of the committee has changed somewhat since we had those

discussions, but it was certainly an item that was high on the priority of the committee to look into, particularly with the concerns of the funding of long-term care. I only speak in support of the issue raised by Mr O'Connor.

Mr Sorbara: Because I'm new at this committee, I'm looking for the first time at the sections that had been considered, or as it says here, "had decided to consider." Given what we're doing with the Toronto Hospital, I'm certainly not interested in the first section. I think there are areas to pursue in the area of waste management. I will defer any opinion on section 3.4 of the report until I've had a closer look at that. I think there are some issues worthy of consideration on waste management. I'm not sure when.

I have a particular concern, if I can be very parochial, about what in the world is going on down in Lincoln and the costs of the Ontario Waste Management Corp. I hear that's a \$100-million or \$150-million adventure that is delivering zero to the province.

I'm not concerned about microcomputers or mini-computers.

Again, I want to defer any consideration on government-owned housing. I think there is an issue in the area of housing that is worthy of consideration by this committee. I'm not sure if it's mentioned in the auditor's report, but I think the value for money in the provision of government-assisted housing or the subsidization of housing built by community groups or the private sector is of some moment.

Just to argue by way of example, I refer to a question raised by the Progressive Conservative Party a couple of weeks ago in question period. It arose from a press release issued by the Minister of Housing and the Minister of Consumer and Commercial Relations relating to a number of bachelor units, 11 bachelor units to be precise, that were the beneficiaries of funding assistance from the Ministry of Housing. The press release stated that the annual assistance for those 11 bachelor units was \$254,000, which I think factored down to \$1,900 per month per unit.

The Chair: Is that over and above the rents people paid?

Mr Sorbara: This was the public money that was going in. If the individuals are putting in no money whatever, then the level of public assistance is about twice and a little bit more the market rate if you were going out to rent the unit yourself.

In other words, if you wanted to rent a bachelor unit in the city of Toronto right now, you would probably, in a fairly good building, be paying about \$750 per month or \$500 at the lower end, and there's a fairly significant supply.

When I see the government providing public assistance for government housing at a rate which is two and a half times the level of the market value, I've got to say, "What in the world is going on?" I thought we were assisting people who needed income assistance or rent-geared-to-income units. I would dearly love us to be able to have a look at exactly what is going on in the Ministry of Housing, particularly in those areas. I want to offer my qualified support for number 4.

That having been said, there are a number of areas I think we could properly look at. I just want to touch on them here, and by way of notice of motion I will be providing

the committee with copies of these draft motions for its consideration.

The Chair: Mr Sorbara, would you give us notices of motion for your particular points then?

Mr Sorbara: Yes. I'm going to be tabling motions, first of all, dealing with the accounting procedures in the budget. I think my colleagues on the committee will recall some questions that we in opposition raised, including certain matters within certain areas of the budget, for example, including the sale of crown assets as a revenue item to the tune of about \$1.2 billion.

I note that a letter was sent by our leader to the acting Provincial Auditor and I'm going to provide members of the committee with a copy of this correspondence. A response came from the Provincial Auditor which said in effect, if I'm not paraphrasing too widely, that this is not something the Provincial Auditor automatically looks at, but would look at at the instance of a direction from the standing committee on public accounts. I want to present a motion there.

I just note that the Treasurer, when the matter was raised in question period, was supportive of the notion that the public accounts committee would look at a number of the accounting procedures used in the budget, including the one I mentioned, the delay of payments into the teachers' pension plan, and a number of others. I also think we have a responsibility to look at some of the—

1030

The Chair: That's your first notion of motion?

Mr Sorbara: Yes, and if the clerk wants to—

The Chair: No, I'll make notations, Mr Sorbara.

Mr Sorbara: The second area that I think we might want to look at—and this may be somewhat more difficult for government members, but nevertheless our business here is not simply to support our caucuses but to look at those high-profile and extraordinary expenditures. There was a lot of discussion about the use of the 1-800 numbers and the whole consultation process which was funded about six or eight months ago. They were accompanied by fairly lavish advertising on the part of the government encouraging the people of the province to send in their comments.

This doesn't appear on Hansard, but I'm just showing the opposition members a copy of the advertisement, "The Ontario government wants your input into its 1992 program." I think it's worthy of us to look in a sort of non-partisan way at what the real results of that program were, whether we got value for money on it, the kind of response that arose, and if we do that, then there can be a basis for a recommendation as to whether or not the government ought to do it again.

Mr O'Connor: Expand on it perhaps.

Mr Sorbara: Or maybe expand on it. There was some criticism of the program at the time. I'm not sure personally that given the availability of technologies, particularly through 1-800 numbers and sophisticated polling mechanisms, this isn't going to become one of the ongoing tools of government, no matter what stripe or no matter what political party is in office at the time.

Let's see, that's the second. This one is perhaps more political, but I think it's something other public accounts

committees have done and I think it's appropriate for us to do it because we're the only committee in the government that will do it, and that is a public accounts review of the expenditure of ministers and ministers' staff and the size of ministers' staff.

I was, I'll tell you frankly, really surprised yesterday in estimates to hear that the Minister of Health has a political staff of 18 people. I know this government has taken a new approach, but 18 people in a minister's office—that was about the size of the Premier's office in the previous administration. I think he was at around 20 or 21 perhaps.

Her explanation was interesting. She said the smaller ministries have downsized as compared to the last administration, and the larger ministries have got much larger staff. This is a new record for a provincial government, to have a political staff of about 18. I would like to just give notice that I would like that to be considered and the details of ministers' staff to be the subject of an examination here.

The next one, and in conjunction with that, is the matter that was raised in the Legislature a few days ago, and that is the details of the contracting with Jack Layton. Some of us were rather affronted and I would like to see a copy of that contract and the terms and conditions of that contract examined by this committee, and I'll just give notice of that.

Finally, there is a motion dealing with the Ontario Housing Corp. That is somewhat related to number 4 on the list of items that were previously suggested for consideration. My motion deals specifically with the Ontario Housing Corp, looking at individuals with "deep needs," as defined by the Ministry of Housing, looking at whether non-profit and cooperative housing agencies are accepting referrals from local housing authorities, and there are a couple of other matters here.

I'll provide the details by way of written copies of these motions, but generally we're looking at how the Ministry of Housing and the Ontario Housing Corp do their work, serve their client base and spend the money of the taxpayers of the province.

So, Mr Chairman, that's the general description. I'm at your pleasure as to whether you would want me to make copies of these and distribute them or read them into the record at some later date when I have copies. Again, I'll await your direction.

The Chair: For the record, it appears, Mr Sorbara, that you have gone over the four points members have copies of.

To paraphrase your presentation to the committee, on point 1, which included inspection audits of hospitals, you felt the work in regard to the Toronto Hospital was—suffice it to consider that. We're not interested in 2 and 3. You felt point 4 was of interest and in fact may be similar to one of your notices of motion.

You brought four further points: (1) accounting procedures in the budget; (2) the use and the advertising of the 1-800 numbers; (3) the review of the size and expenditures of certain ministry staffs, and I refer to political staff; (4) a review of the contract afforded to Jack Layton. You've placed all those as notices of motion, and we would expect that you would table your motions at your earliest opportunity

so that the clerk can make them available to all the members so we can deal with those motions next week.

Mr Frankford: I'd just like to go through the list of topics here and, yes, I think I see a lot of merit in them. On the inspection of the hospitals, the Toronto Hospital is certainly going to provide some interesting aspects, I imagine. But if one is looking at the whole hospital sector, I think that is extremely timely, because it's no secret that the whole hospitals act is going to be reviewed and this will bring up many questions around accountability. These are the things which will provide information in the consultations, which I understand Dr Layton will be conducting. So I think that's very timely and I would support it.

On waste management, I think, as a Metro member, there are many questions around waste management which I'm sure are of great interest to my constituents and to Metro members in general.

On microcomputers, I'm very supportive of that because I think what I've observed since I was elected is a real mishmash of standards around computers. I think there are many things that could be done. I think one has the potential of very economical systems if people understand what they're doing, and I think many parts of government have been overconsulted. There are incompatible systems, and I think this would be very timely in an area where there is, I suspect, very great potential for cost savings.

Finally, where it says "government-owned housing," I would hope that this would be broader. If it said "government-funded housing" it would perhaps be more appropriate at the present time because the non-profit and co-op sectors are not really government-owned, and this is an area of considerable concern in my riding. I would like to be able to report to the people in my riding, who tend to get rather scared about any housing with government money in it. I think this could be very helpful in setting their minds at rest or indeed in showing that there are problems about excessive subsidies, although I've not had it proved to me that these exist yet. I would certainly very much like to get the auditor's opinion on that. I think this is a very good list and I'm basically accepting it except for number 4. I think it should be clarified that it's not just government-owned, but government-funded housing.

1040

The Chair: Okay, we'll debate the exact wording as we go along, if you want to do that right now.

Mr Hayes: On the proposals or motions that Mr Sorbara is presenting here, are we going to be debating these types of things now or after we—

The Chair: It's been pretty free-wheeling this morning. I'm not going to prohibit anyone from making comments. Mr Sorbara's been instructed to prepare the motions, give them to the clerk and have them made available to all the members so we can deal with them next week. You can certainly make comments on them this morning if you wish, Mr Hayes.

Mr Hayes: I just want to make a very brief comment here. Looking over the items here, 1, 2, 3, and 4—I know Mr O'Connor has mentioned nursing homes. I believe that would be of interest to all members here. Outside of the

suggestion that Mr Sorbara's being totally political, in my opinion I think we have quite a heavy workload, even if we went with the four items to deal with in the auditor's report.

The Chair: As I said to Mr Sorbara, if anyone has motions they wish to present before the committee, get them ready, give the committee notice and have them tabled with the clerk so they can be distributed.

Ms Christel Haeck (St Catharines-Brock): I see Mr Cousens isn't here. He and I had the privilege of sitting as part of the subcommittee before, when Mr Callahan was the Chair. When we were discussing some of these things, definitely between the two of us, he and I were very interested in seeing the Ontario Waste Management Corp looked at to a very great degree.

I have to speak with my constituency hat on. There is a great concern locally from the environment group, as well as the community at large, over the size of the expenditures. We understand locally that the OWMC has spent something in the neighbourhood of \$100 million over the last 10 years and it definitely gives some pause to realize that the facility isn't built yet and we are looking at some time until the environmental assessment process is completed. I'm personally a very strong advocate of item 2, as we had agreed previously.

The Chair: As I said earlier, the makeup of the committee is different at present than it was at that time and I believe the new committee has to decide for itself what work it wants to undertake. The new committee can endorse in its entirety the suggestions of the previous committee, amend, change or do as it pleases.

Mr O'Connor: At this point I'd like to maybe ask for a little bit of direction. Though the committee has changed in its composition, I think the majority of the committee is still the same. I know the discussion around nursing homes and homes for the aged was something we had talked about at that time, when the majority of this committee here now—though under a different Chair—at that time had talked about it, so I'd ask your direction. Would you want a notice of motion placed that we look at that? I know that was something we had talked about.

The Chair: I think what we're doing this morning, Mr O'Connor, is asking everybody to put their interests on the table. You do that by either entering the discussion and expressing an interest or by giving a notice of motion, or both. I feel it's important for the committee to do that. That's why the item is on the agenda. It's up to the committee to decide what it wants to do and it's up to the committee to defend what it's chosen to do and chosen not to do, so everyone knows what their individual and collective responsibilities happen to be.

Mr Sorbara: I'm trying to respond, I guess in part to my friend Mr Hayes's comment that my motions are political. I don't, first of all, propose that these motions take up all the time of the committee. In fact I think many of them can be dealt with by submissions to this committee from the government or from the Provincial Auditor setting out costs and results, setting out the auditor's opinion, for example, on accounting principles in the budget, and these are small, discrete, but decidedly political items.

I simply want to tell Mr Hayes that both he and I and the rest of the people sitting on this committee are politicians. Politics is our business. We are elected to raise not only issues relating to nursing homes but the more highly charged political items. Historically, I guess perhaps before the last election—and I think Mr Hayes will recall this—this was one of the committees where the opposition had an opportunity to probe and ask questions beyond the theatre of question period. Often when an item was highly charged, it would be referred to the public accounts committee to allow for a longer, more thorough debate based more on substance than on allegation.

There's nothing wrong with that. That's the very heart and soul of a democracy, that those kinds of questions can be raised and debated in a political atmosphere. Again, this is a political chamber and we are involved in the business of politics.

You have to appreciate the position of opposition members, particularly those of you who have not sat in opposition. As government members, you have access to a workforce of some 90,000 civil servants to manage your information, to provide you with information, to support you in your arguments and to do the things governments do, and that applies whether you are a minister, a parliamentary assistant or simply a member of the Legislature. As opposition members, we have a staff of about six or seven researchers to provide us with the material with which we engage in the debate of public administration and public policy in the province of Ontario.

I am just expressing a hope that Mr Hayes's comments that my motions have a political flavour to them are not to suggest an opinion that somehow they don't have any place in this committee. This is one of the committees the democratic system in Parliament has provided primarily to question and probe and investigate and ferret out inappropriate expenditures of government.

We don't need to concern ourselves with the appropriate expenditures of government. There's no reason to do that. The auditor looks at the expenditures of government, and by and large he renders a view: 70%, he generally says, or 75% of it, is just fine, and there is 25% where maybe the government could do some improving. We in this committee can't even investigate 25%, but we can ferret out and identify that sort of spending which probably needs far more public scrutiny.

We are not here to be auditors. We are here to do the kind of scrutiny the average man or woman on the street would want to do were he or she given the opportunity to query and investigate the way in which her or his tax dollars are spent. I just say once again that I hope the suggestion that these are politically driven does not mean somehow they are inappropriate, because they are not.

The Chair: Thank you, Mr Sorbara. We're running a list. We have Mr Tilson, Mr O'Connor, Ms Haeck and Mr Hayes.

Mr Tilson: My question is that the committee members are giving topics they wish the committee to deal with, and then I assume the subcommittee will sit down and make

recommendations to the committee and it will shorten that list. Is that the procedure you're suggesting?

The Chair: I haven't suggested that procedure. It's up to the committee if it wishes to suggest that procedure, if that's how the committee wishes to proceed.

Mr Tilson: I guess I'm just inquiring. We can all think of our pet little topics we have, and some of us agree on some of them and some of us don't. Somewhere along the line—we can't talk about all these things in one year.

1050

The Chair: No. I hope that within the period of the next week or two the committee will have established for itself an agenda to carry it through the rest of this calendar year.

Mr Tilson: Could I suggest that committee members, through notice of motion or just orally, inform the clerk now of topics that we wish the committee to consider? Perhaps then the subcommittee could look at and shorten that list for the committee's consideration.

The Chair: I agree with you entirely, Mr Tilson.

Mr Tilson: Otherwise we'll be here all day.

The Chair: In fact, you've echoed my earlier comments to committee. Let's get our interests on the table now or let's get our notice of motions on the table now or within the next week. Every committee that operates in this Legislature has three different points of view. Somewhere down the road there is a compromise, an agreement that not everyone's agenda can be heard in full, but usually what happens is that some parts of everyone's agenda are usually heard. I'm assuming that's the way it's going to work here somewhere down the road.

Mr Tilson: If we're adding to the list, and I don't know whether the clerk or someone is writing all these down, all the topics that have been raised thus far by Mr Sorbara and others—I'm sure the committee could spend useful time on all these things—but I will throw out items that I—is that agreeable as opposed to a notice of motion?

The Chair: It's agreeable.

Mr Tilson: I would support Mr O'Connor and Mr Hayes on the subject of long-term care. I would support Mr Sorbara on the subject—I think anyone who sat through the Housing hearings would like to hear more on government-run housing and how it's funded, so I support him wholeheartedly on his topic and what he's saying. As well, the subject of waste management has been raised. I support that position.

The only other new item is a subject which the committee allowed me to spend a day on in the past. I believe more time should be spent on it by the Provincial Auditor—if he can get at such things as Teranet and Real/Data—the whole subject of Polaris and the new direction of this partnership that is being proceeded with in the computerization of our land registry system. More and more information is slowly slipping out that perhaps the company that won the contract didn't have the letters of credit as has been suggested.

There's been a change of the control of that private company. We still don't know who's in it. We're still not clear whether it's an equal partnership or whether the private

company has 60% control. There are a lot of unanswered questions. You talked about political issues, Mr Hayes. I know this is a very difficult issue for both the New Democrats and the Liberals, but I feel it's an issue this committee should spend some time on.

The Chair: Okay, Mr Tilson, I hear you agreeing to some of the points made by some of the members, and you've added to the list the matter of Polaris. That will be added to the list and the committee will certainly consider your views on that.

Mr Sorbara: Mr Chairman, if I might just interject, the business of Teranet and Polaris is not a difficult topic for the Liberals.

The Chair: Thank you, Mr Sorbara. We're running a list. We have Mr O'Connor, Ms Haeck, Mr Hayes.

Mr O'Connor: I agree with Mr Tilson in that I think we can all put together our ideas and then the subcommittee can grapple with them. I do take some exception to the fact that we're trying to politicize the committee when each party does have its research staff, which can do some of its own political investigating if it wants, where we are charged with reviewing the Provincial Auditor's report and looking at areas that it's raised as concerns. I think we've got an important role to play there. It's a role that has been agreed upon within this committee by consensus on most occasions. Sometimes there has been some partisanship show itself; usually it's quite less often. I would appreciate the subcommittee taking a look at the suggestions. I just agree with Mr Tilson that it would be a more appropriate place for some of this discussion to take place.

The Chair: I assume the subcommittee's work is going to come back to the committee so I assume the committee should have an understanding of where everyone's heading to. I don't think we're wasting our time.

Ms Haeck: My apologies to my committee members and all the committee members here. I was at another meeting and I couldn't be here, so I just want a quick clarification. We are just strictly on item 2 at this point; have we dealt with item 1?

The Chair: Yes, we've dealt with item 1. We're asking members to put forward some of their interests at the present time.

Ms Haeck: I gathered that. I was just wondering if we had gone through the rest of the agenda.

The Chair: We've gone through item 1 and we're fairly near concluding item 2 and we'll be moving rapidly to item 3.

Ms Haeck: Very good. I appreciate that, and obviously, as part of the subcommittee we'll have a chance to review a number of these options.

Mr Hayes: I really want to thank Mr Sorbara for his education on how politicians should work. I realize that we are all politicians. There's no question this is a political process but I do have concerns. As I said, in my opinion some of these things Mr Sorbara raised are just strictly for political reasons. I think it's an issue he wants to just kind of highlight and grandstand on, but that's just my opinion. I have no problem with subcommittees getting together

and coming back with recommendations to this full committee on what issues we will deal with.

Mr Noel Duignan (Halton North): I agree with some of the things Mr Tilson has said and I agree with some of the points we should be looking at. However, under point 4, government-owned housing, if we're just going to simply talk about government-owned housing then we're just going to be talking about the Ontario Housing Corp. I was wondering if we could change that to read "government-subsidized housing" and then we would—

The Chair: Mr Frankford also made the suggestion to change the wording.

Mr Duignan: Yes, because then we would be dealing with the non-profits and co-ops, actually. This way just deals with the Ontario Housing Corp.

The Chair: That was already noted. I appreciate you bringing it up again for clarity for all the members.

Mr Tilson: Just for the record, I didn't want to give the impression that I was supporting it. I'm supporting what Mr Sorbara said, which is quite different than what you two are saying.

The Chair: I believe we all support the idea that we should look at this and then the auditor will appropriately do his work with staff and then report back to us. The other thing I want to alert the committee to is that when we decide as a committee that we're going to undertake certain work, the first thing we do is ask the auditor to do an appropriate review. When that review comes back to the committee we can decide whether or not it's worthy of the committee to spend further time on the subject. We can commission reports from the auditor and in due course, as his workload allows, he'll report back to the committee.

I don't want anyone to leave this morning thinking that we can only undertake one, two or three projects because there's a lack of time or because we only meet on Thursday mornings or because we only have two or three weeks during the summer. We can turn this work over to the auditor, who will make the reports. We'll decide for ourselves individually or even collectively that this is worthy of calling in witnesses on or that it's not worthy of calling in witnesses on, that it's worthy of saying, "Thank you very much for your work and please put it away," or that it's worthy of our asking the auditor to do more. We can decide all those things. I just want to make sure the committee is aware of that.

The committee has functioned like that in the past and I don't want anyone to feel nervous or excited that this may be somewhat political. This committee has always been highly political. I can recall that during many of my years in opposition we paraded endless numbers of witnesses the government did not want us to parade and that either the Bill Davis government or the Frank Miller government or whoever was in charge at the time did not want us to parade. Even the David Peterson government was involved in similar such reviews by this particular committee.

I think where the partisanship comes into play is whether or not we have particular respect for each other. That's my own personal view. Any item can be turned into an unhappy, partisan affair. The matter of the inspection of

hospitals can be turned into such a situation; the matter of government-owned and government-sponsored housing can be turned into such a situation. We're going to spend all our time talking about what's partisan and what's not partisan.

Anything else before we move to subject 3?

1100

Mr Duignan: I hadn't finished making some remarks.

The Chair: I'm sorry, Mr Duignan.

Mr Duignan: That's okay. I'll be very brief. I agree with Mr Hayes and Mr O'Connor in relation to some of the motions put forward by Mr Sorbara. I believe some of these motions can be undertaken by the research staff of each of the political parties.

The Chair: Who's next?

Ms Haeck: I have a point of information. I also sit on the standing committee on the Ombudsman. We had a subcommittee meeting yesterday. There will be a letter, I believe, coming to you, sir, with regard to a request that this committee look at the Office of the Ombudsman, or possibly charge the auditor to review the Ombudsman's office, so that may be something further that should be considered. I believe it should be something the subcommittee should take into account as far as the total list of projects that will be on the table for discussion is concerned.

The Chair: I understand there has been some concern expressed by members in regard to the style, type and extent of advertising used by that office.

Ms Haeck: I think there's actually a whole range of issues that are part and parcel of that office, so I really hope we will give that some serious thought. I think the report from the Ombudsman committee was just delivered shortly and it will definitely add something.

The Chair: I'm not surprised that's coming. I've been hearing rumblings about that.

Mr Duignan: I agree with Ms Haeck. I also sit on that committee, and this recommendation is unanimous of all three political parties. There are some real problems in that office which need to be looked at.

The Chair: Okay, seeing no further discussion on item 2, we will proceed to item 3.

This committee has requested the following period of time for its work during the summer recess. As I stated earlier to the committee, approximately four days have been set aside with regard to the Canadian Council of Public Accounts Committees. Further, we're going to ask for two weeks to go through the process of hiring a new Provincial Auditor. I'll be recommending that those two weeks occur during the first part of September, immediately after Labour Day, so we'll have a short work week and a regular work week with regard to the hiring of the new Provincial Auditor. I was hoping we could start the process immediately after Labour Day, something like Tuesday afternoon, which would give out-of-town members time to drive in.

Mr Sorbara: Mr Chair, I'm sorry. Might I just review? You're saying the two weeks immediately following Labour

Day are going to be devoted to the selection of the Provincial Auditor?

The Chair: That would be my recommendation.

Mr Sorbara: I want to support that.

The Chair: Thank you. Then we have two other weeks to consider matters contained in the Provincial Auditor's annual report and any of the numerous subjects that have been raised by the committee members this morning. What we have to decide as a committee is when we would like those two weeks. Do we want to have them together, one following the other? Do we want to have them interspersed, one in July and one in August? Do we want to have them very soon or later? I made no decision on that and I make no recommendation on that to the committee. This committee's schedule is such that each individual member has certain obligations of which I am unaware.

Mr Duignan: I'm just wondering what dates those weeks are in September. Is that the week of the 7th and—

The Chair: September 7 and 14. I think we should lock that into our schedules. This is pretty important.

Mr Sorbara: I take it Parliament recesses and then returns on the 28th? Tannis, do you know whether that is right?

Clerk of the Committee: Yes, those are the dates.

Mr Sorbara: Labour Day is on September 7 this year, so you are talking about the week of the 7th and the 14th. There is one additional week, then, before Parliament resumes. All the scuttlebutt around this place is that we are going to be sitting in the Legislature probably most of July or at least two weeks of July, with a break for—if I can check my calendar—June 29 to July 3—probably we'll get that off—and then July 6 and July 13 we'll probably be sitting. That reduces the summer period considerably.

I guess I would like to see at least one of those weeks be one of the weeks when we consider matters arising from the Provincial Auditor's report, and that would be the week of September 21. In other words, that will set up a calendar such that we are coming back to business at Queen's Park the day after Labour Day and then doing three weeks of work on this committee and then going back to the Legislature.

I don't have any particular recommendation for the other week, although my preference would be some time in August rather than in July, because with the House sitting conceivably all of July—but as it appears, for at least two weeks in July—I think the temper, the mood and the agreeability of people on this committee will be somewhat strained and we ought not to be trying to do substantive committee work.

The Chair: Mr Sorbara, your recommendation then is to use one of those two weeks, during the week of September 21?

Mr Sorbara: Yes.

The Chair: That's noted. Any other suggestions, advice?

Ms Haeck: Just as a point of information—why I was late coming here—I believe your caucus is looking at September 21 to 23 as your caucus retreat.

Mr Sorbara: Yes, so scrap that.

Ms Haeck: What can I say?

The Chair: It's a good thing you're here to tell us.

Ms Haeck: Obviously you're providing us with some information as far as our—

Mr Hayes: It works both ways.

The Chair: Yes, it works both ways. We'll tell you the House schedule and you tell us when we're having our retreat.

Ms Haeck: I just happened to be speaking to your whip.

Mr Sorbara: I'm sorry, Christel. You're absolutely right. Thank you.

Ms Haeck: So there we go. We don't have a date for ours, so we have no idea how that's going to impact—unless you have that information.

The Chair: Let's keep kicking at this can until we get it right.

Mr Tilson: I'm just telling the clerk that I thought there was an agreement of all three parties that we would be taking our retreat the same week and I understood it was immediately after Labour Day. Maybe that's all changed. That was as of two weeks ago.

The Chair: We'll double check to see if this schedule is going to be a problem. The clerk will work on it today and I'll speak to the Liberal whip and everybody will speak to his or her own whip. But we've got to make at least an initial effort at trying to get a schedule.

Mr Duignan: I was going to suggest, rather than this going around the room here right now when we really don't know what dates and what people are doing, that maybe the subcommittee could meet when we have this information and the subcommittee then could make a recommendation to the committee next week.

The Chair: I find that when we don't make an effort to set our own schedule, we have other people set the schedules for us. If you'd prefer that, then all we'll do then is send a letter to the whip or the appropriate people, the whips and the House leaders, and say we need X amount of time to do our work and please set our schedule. If you want to do that, that is an option.

Mr Duignan: It's not a question of other people setting our time schedule. There are dates that we don't know what things are happening on yet, when our caucuses are—

The Chair: But isn't it nice if we make a suggestion as to what should happen, as to what our first priorities are as far as scheduling is concerned? Maybe some of you, or all of you, have made plans to be away the week of August 10. I don't know. That's what we should be telling each other, when we are going to be completely unable to meet. Mr O'Connor, then Mr Sorbara.

1110

Mr O'Connor: Thank you, Mr Chair, you are most generous with my time. I guess one of the difficulties we have as a committee is that the Board of Internal Economy, of course, will review this again and quite often we get chopped from the two weeks we ask for to one week. Hopefully they won't disturb the two weeks we've set

aside for the selection of the Provincial Auditor. I think there's a strong recommendation from the committee that they don't touch that at all. The difficulty may be in the fact that the other two weeks we asked for could be affected by the Board of Internal Economy, as has happened in the past. That's something else that will have to be looked at.

I'm in agreement that we send it to the subcommittee and let them deal with it. I'm sure, as we get a little closer to the end of the session, that the House leaders and the whips will have a little further discussion and maybe they'll set us a little straighter on course as to how we're going to spend our summer and I don't think—

The Chair: Can the committee members then tell me which weeks they cannot sit? Let's do it that way. Can we go through July and August and you tell me which weeks we cannot sit?

Ms Haeck: We normally sit through August, don't we? That's basically an option the committees have, that committees will be sitting some time in August.

The Chair: Normality changes quite a bit around here.

Ms Haeck: We understand that, but as I have said many times, my name be Christel but I don't have a crystal ball.

Mr Tilson: I wouldn't use that line any more.

Ms Haeck: I have not yet been able to totally decipher what in fact will be transpiring over the summer. I have no information on that. I think we have to try to figure out and sort of follow what has happened before. Obviously we will have to be flexible.

The Chair: My effort this morning is to try to give the committee the best chance possible to get the weeks you want to sit. That's the only reason we're going through this effort.

Ms Haeck: I know what you're trying to do.

The Chair: If you think it's a wasted effort let me know and we'll just—Mr Sorbara, then Mr Tilson, then Mr Duignan.

Mr Sorbara: No, I don't think it's a wasted effort at all. I'm going to make another suggestion. Again, given that we will probably be sitting in the Legislature in the first two weeks of July or perhaps more and that we've booked off the first two weeks of September for the selection of the auditor, I'm going to recommend that we take the first two weeks in August so that at least our workload is distributed over the summertime. That's a personal recommendation.

The Chair: I understand that and that's what I'm asking members to do.

Mr Sorbara: I'm not wedded to it; that's not to tell you that if you're picking another week I can't possibly be there.

The Chair: I also want to add at this point—and I appreciate what Mr Tilson has told us. If there had been previous all-party agreement that all caucuses take their individual policy retreats the week of Labour Day, we will then immediately move the work in regard to the hiring of the new auditor to the weeks of September 14 and 21. We have a week there to play with if we run into difficulty. So if there's no objection from members, we'll work on that

basis. We had a recommendation from a committee member that we should consider the first two weeks in August as a recommendation to the whips and the House leaders for time for this particular committee. Thank you, Mr Sorbara. Any other recommendations?

Mr Tilson: I must be having a bad day and don't know it when I'm agreeing with these people, but I agree with Mr Duignan and Mr O'Connor that there's a lot of unanswered questions: when the caucus retreats are, Board of Internal Economy. I don't think we're delegating the subcommittee to make our decisions for us, but I think we're delegating all this debate to that committee and I would agree with what they're saying that perhaps this discussion could be put in their hands and they could come back with a recommendation to committee. At that time, if members of committee are still unavailable, we could pursue these discussions.

The Chair: Okay, if there's no further discussion on item 3, the last item for this morning is the approval of advertising for the selection of the Provincial Auditor. You have a document before you that has been worked on by the human resources branch of the Legislature. You will recall that we asked Ellen Schoenberger to work with this committee to help us do a number of things, and one of those items that we had asked her to work on was the advertising in regard to the placement of ads in the Globe and Mail national edition. I think we had agreed to do at least three days there, and further I believe we had agreed to publish this ad in appropriate trade magazines. Is that the recollection of the entire committee? I appreciate that. Can we get a motion, or can we get consensus to approve this ad? Mr Duignan.

Mr Duignan: I move the motion.

The Chair: Mr Duignan moves that the ad provided to the committee, as prepared by the human resources branch, be approved and that necessary steps be taken to place the ad at the appropriate time.

Motion agreed to.

The Chair: Less than five minutes for the committee. The clerk brings to my attention a letter we've received from the Clerk of the Legislative Assembly of New Brunswick in regard to one of the business sessions re the Canadian Council of Public Accounts Committees, a particular case study in regard to how Ontario does some of its reviews. Is that what's needed, Ray?

Mr McLellan: Yes.

The Chair: Can we authorize Ray to start on that work for us to review?

Mr Tilson: This is a letter from—

The Chair: The Clerk of the Legislature of New Brunswick.

Mr Tilson: No. This is a letter from—

The Chair: I'm sorry. Maybe I've misread the letter.

Mr Tilson: This is a letter from British Columbia.

The Chair: Oh, yes, pardon me. You're right, Mr Tilson.

Mr Tilson: I won't be attending the conference, nor will Mr Cousens. I don't know whether our party is sending

anyone or not at this stage, but I will say that last year in Winnipeg almost the entire time was spent on the subject of accountability of crown corporations.

I have no problem spending some time on it, if we are sending a delegation, and I trust we are. But the way it's being suggested, that they're going to do the same thing again this year—I mean, there are lots of topics to talk about that we can exchange ideas about. I would be concerned—

Interjections.

The Chair: Order, please. This is an important point.

Mr Tilson: I would be concerned doing the same thing as we did last year. I think we agreed to spend some time, but this proposal from Mr James—I don't know what all that means, but he is suggesting again that the entire time be spent on accountability of crown corporations. At least that's what it would appear from his letter. I don't know what the members feel about that, but I feel we spent enough time on it.

Mr O'Connor: Were you one of the members who went to Winnipeg?

Mr Tilson: Yes.

Mr O'Connor: Was there an awful lot of time spent on that?

Mr Tilson: Yes.

Mr O'Connor: I guess our Chair went there as well.

Mr Tilson: Yes.

The Chair: I understand from a comment from our clerk that our case study does not have to be on the crown corporations. I hear you very clearly, Mr Tilson. If we spent last year's conference reviewing accountability of crown corporations, I can understand your lack of enthusiasm for doing it all over again. Do we have any other comments from members in this regard?

Mr O'Connor: Would it then be appropriate perhaps in the form of the case study that we actually have our legislative research take a look at something this committee has looked at, for example, the report on substance abuse? Would that be an appropriate forum for that to be brought up, discussed and reviewed?

The Chair: Let's find out from Ray. I don't see anything wrong with that, personally.

Mr O'Connor: If public accounts committees from across Canada took a look at actions of other committees across Canada, I think they would probably find the process we went through very interesting and maybe gain something from that, not perhaps to go into as much detail as we did or maybe to go into further detail. I would like our researcher to comment on that.

Mr McLellan: Not to disagree with you strongly, but based on the meeting last year and the proposed agenda by British Columbia, I feel that they're really taking a strong tack on accountability and making that the theme with respect to crown corporations. I think if we went in with a paper, in other words, not dealing with a crown corporation, it may not fit within the thrust of what they're hoping to get.

Just as a brief aside, I've circulated a list of commercial crowns to you. There are 17 in Ontario. I'll just take one minute to say that yesterday I went through the list of crown corporation audits conducted by the Provincial Auditor since 1987, through to 1991, and really, the focus by the Office of the Provincial Auditor—and this is the tack I thought the committee may take—is to go back and to look at one of those crown corporation audits.

The Chair: We should look at the Thunder Bay ski jumps. I'm wondering what that is.

Ms Haeck: He was actually looking at the Moosonee Development Board.

The Chair: Has anyone been up there?

Mr Hayes: Yes, I've been up there.

The Chair: How's the jump? Lots of skiing up there?

Clerk of the Committee: Not good this time of year.

The Chair: Not good this time of year. Okay, maybe we'll deal with something else.

Mr Hayes: Of course, we have the Ontario Agricultural Museum Artifacts Evaluation Committee.

The Chair: That would be interesting. Anyone else? Mr Sorbara.

Mr Sorbara: I'm very sensitive to Mr Tilson's comments about why we're going to study accountability of crown agencies again this year, but I simply remind him of the realities of Canada. Today's date is June 4, and there ain't no way in the world that Ontario is going to say, "Why don't we get this meeting of 10 provinces and two territories to discuss something else?" The time frames just aren't there.

Mr Tilson: New Brunswick is hosting it. They'll probably do as they like anyway.

Mr Sorbara: Any decisions or any input, I think, ought to be at the discretion of the Chair, having consulted with the Provincial Auditor and the clerk and legislative research. If we are going to submit a case study, if work has been done on the good old Stadium Corp, we ought to do that. The reason is simply that you're talking to people from all over Canada and they understand it, they know it. They see it on television and they can relate to it and it will be interesting to them.

The Chair: It would be highly political, though.

Mr Sorbara: My goodness, then let's not do it.

Mr Hayes: It's very nice that we have an unbiased Chair.

The Chair: I was just trying to make fun.

Mr Sorbara: Anyway, I would recommend that one, but I would want to make a motion to leave it at the discretion of the Chair to come up with a reasonable suggestion sensitive to the interests of the participants.

The Chair: Will the committee leave it up to myself, the Provincial Auditor, the clerk and our research staff to come up with an appropriate response to this June 3 letter? Thank you. The standing committee on public accounts is adjourned until next Thursday morning.

The committee adjourned at 1124.

CONTENTS

Thursday 4 June 1992

Organization P-35

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- *Chair / Président: Mancini, Remo (Essex South/-Sud L)
- Vice-Chair / Vice-Président: Cordiano, Joseph (Lawrence L)
- *Callahan, Robert V. (Brampton South/-Sud L)
- Cousens, W. Donald (Markham PC)
- *Duignan, Noel (Halton North/-Nord ND)
- *Frankford, Robert (Scarborough East/-Est ND)
- *Haeck, Christel (St Catharines-Brock ND)
- *Hayes, Pat (Essex-Kent ND)
- Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
- *O'Connor, Larry (Durham-York ND)
- *Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

Substitutions / Membres remplaçants:

Huget, Bob (Sarnia ND) for Mr Johnson

Also taking part / Autres participants et participantes:

Jim F. Otterman, Assistant Provincial Auditor

John Sciarra, administrative assistant to the Provincial Auditor

*In attendance / présents

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



P-6

P-6

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Deuxième session, 35^e législature

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Thursday 11 June 1992

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Jeudi 11 juin 1992

Standing committee on public accounts

Subcommittee report
Committee business

Comité permanent des comptes publics

Rapport de sous-comité
Travaux de comité



Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel

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Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at (416) 325-7410 or 325-7411.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Renseignements sur l'index

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 11 June 1992

The committee met at 1015 in room 151.

SUBCOMMITTEE REPORT

The Chair (Mr Remo Mancini): The Chair sees a quorum. I would like to call to order the standing committee on public accounts. The agenda before the members will indicate that we will be dealing with a report from the subcommittee. The members will recall that a week ago we received a number of notices of motion that were duly presented to the clerk and made available to all the members.

We added to those notices of motion a list of items that seems to have been carried over for at least one year, if not two, in regard to the work of this committee. We further added to that list a number of items that members on the committee seemed to be interested in. This morning the subcommittee added a further item. If members will turn to the page that says "Standing Committee on Public Accounts: List of Possible Areas of Review," does everyone have a page that looks like this? I'd like to give the members a report.

Mr Larry O'Connor (Durham-York): The page has scribbling on it.

The Chair: Yes, I had to scribble quite a bit this morning. The members will take note of the following decisions made by the subcommittee, and the subcommittee duly reports those decisions to this committee. The items are not really numbered, but as we go through I'm going to number them in the order in which they appear.

Items 1, 2 and 3 deal exclusively with the nursing home service, 1990 annual report; access to extended care beds, 1990 annual report; home care assistance, 1990 annual report. Members of the subcommittee were of the opinion that since we're close to three years away on these items we would ask for a very basic, cursory review of these issues to be conducted by the auditor. Then, based on the review itself and whether we find anything we wish to pursue in that review, the matter would either proceed or be closed.

Then follows item 4, waste management, 1991 annual report; item 5, government-owned housing, 1991 annual report, and the last item on the list, review of the Ontario Housing Corp—"deep needs." These three matters are already under the auditor's review and we will be receiving information on these three matters some time in November. Based on what we find at that time and our feelings at that time as to whether we should be proceeding further, the subcommittee duly recommends that we hold off doing any other work on these three matters until we actually get that report.

Mr Gregory S. Sorbara (York Centre): Just for clarification, that's waste management, government-owned housing, 1991, and the final item, review of Ontario Housing Corp?

The Chair: Yes, those three matters are being put off till November. The auditor has informed us that he's already doing work on those three areas. We'll review the work at that time and the members can then decide how we wish to proceed.

At the recommendation of the subcommittee, the Polaris project has been withdrawn. At the recommendation of the subcommittee, the details of the contract with Jack Layton have been withdrawn. You can scratch those off the list.

I will proceed immediately with the matter of the office of the registrar general because it's not on our list. After extensive discussions this morning, it was agreed by the subcommittee that the auditor conduct a review of the operations of the office of the registrar general re birth certificates, marriage certificates and death certificates. It was the view of the subcommittee that it should not take six months or longer to have these certificates sent out to Ontario citizens when they request them. There was a whole host of other matters that the subcommittee raised which had the support of the subcommittee. Mr Cordiano and the clerk of the committee are going to be working on a detailed motion for the committee to approve at our next sitting. That is not on this list, but it is on the list.

The other item is the Office of the Ombudsman. It is the opinion of the subcommittee that the auditor conduct a full review of the Office of the Ombudsman. There was a great deal of discussion in regard to advertising, value for money, operations and a number of other areas.

Now, that was the easy part. It was the opinion of the majority of the subcommittee that the accounting procedures used in the 1992-93 budget be reviewed as outlined in Mr Sorbara's motion, which is included in this package, if members wish to review the motion in its entirety. It was the opinion of the majority of the subcommittee that this committee review the Ministry of Government Services' use of 1-800 numbers in the consultation process the government has undertaken, as outlined in the motion presented by—was that your motion, Mr Sorbara?

Mr Sorbara: Yes.

The Chair: It was presented by Mr Sorbara and is contained in the package the members have. As I said earlier, the subcommittee had decided to withdraw the motion in regard to the contract for Mr Jack Layton.

It was the opinion of the majority of the subcommittee that the committee review staffing in the ministers' offices—I'm going to lump these two together and I'm referring to political staffing—in particular the Minister of Health and the Minister of the Environment. It was the opinion of the majority of the subcommittee that two areas be reviewed in this regard: first, to find out whether or not there is a policy in regard to staffing ministers' offices, and if there is a policy, to obtain a copy of that policy; and second, to

find out whether or not these two particular ministers have followed that policy, and if not, why not, basically.

Ladies and gentlemen, that is the report of the subcommittee. I understand that it's now the duty of this committee either to accept or reject the report of the subcommittee or parts thereof.

Mr Sorbara: Just to get things under way, perhaps I might move the adoption of the subcommittee report and its recommendations.

The Chair: Mr Sorbara moves that the report of the subcommittee be adopted. Discussion?

Ms Christel Haeck (St Catharines-Brock): I was going to raise the fact that it was not a unanimous report from the subcommittee on all those matters.

The Chair: I mentioned that.

Ms Haeck: Therefore I feel that the items—the accounting procedures as outlined, the MGS issue, the two—

The Chair: Order, please. We have a motion on the floor by Mr Sorbara that we adopt the report of the subcommittee. Now, there are a couple of ways in which we can deal with this motion in order to have full discussion: by making a list of speakers and then members can speak on each aspect of the report of the subcommittee, because Mr Sorbara's motion is wide-ranging—accept the full report—or members can speak in general and not refer to specifics of the subcommittee report if they wish, or we could ask Mr Sorbara to withdraw the motion, if he wishes, and take the matter part by part. I believe we have two or three options here to choose from. It's up to the committee.

I want to remind the committee that we have a lot of work before us this morning and that we have an hour and a half left to complete it. So I'm asking the committee to judge what it wants to say within the time that we have to say it and to organize our work so that we can complete our work, because we have other work to do this morning other than this list of possible areas of review. With that, we continue the discussion.

Mr O'Connor: In order to make this process flow a little more easily, perhaps it would be easier if we were to review the report of the subcommittee piece by piece. In referring to Mr Sorbara's motion, the motion could be turned down, or we could go through the subcommittee's report and find areas of agreement, in which case we could probably move a little bit more.

The Chair: Mr Sorbara's motion could stand and we could do the same thing. I just listed that as one of the three options we could consider this morning. Yes, Mr Sorbara?

Mr Sorbara: Perhaps I might speak to my motion and then you might want to take speakers. I'm going to try to be as frank as I can. Obviously I'm aware from your report that some of these matters have the full support of the subcommittee and, by implication, the full support of the committee; that is, we all agree that we can study those areas. There was some indication from the subcommittee that in respect, for example, of the first three matters, we will make a decision down the road based on a cursory

review, in the case of items 1, 2 and 3, and that we will make a decision down the road based on work the Provincial Auditor is already doing; that's the fifth item, government housing and the review of the Ontario Housing Corp's so-called "deep needs." So we more or less agree on that. I guess if my motion fails, and I hope it doesn't, then we would start taking these items one by one.

I think, frankly, the subcommittee's report is a good one, and just by way of notice to you and to the other members of the committee, sir, I will be withdrawing the motions and the notices in respect thereof that I tabled last week at this meeting. I see that some of those items, but not all of those items, are on this list.

I just want to say to the government members of the committee that historically the public accounts committee has combined things that are, in effect, completely apolitical—for example, the nursing home stuff, the office of the registrar general, which apparently has the full support of the committee—with motions that are of a somewhat more sensitive nature. I hope the government members are not going to try to eliminate those things that might be a little bit sensitive to the government, including the consideration of budgetary approaches—that's one of the ones that did not receive unanimous support—and the use of 1-800 numbers and the question of ministers' staffing. These are the sensitive issues.

One of the reasons why, historically, public accounts has been chaired by an opposition member is to allow and to encourage this committee to take on the government, to be quite frank, in those sensitive areas during part of its deliberations, as well as to do more sensitive business. Just to give you an example, many of you, before you were elected, probably followed the so-called Chaviva Hošek matter and some of the issues related thereto. One of those issues was the hiring of a person named Dino Chiesa, who now, I think, acts as an assistant deputy minister. He was hired by Ms Hošek when she was Minister of Housing.

The government obviously, after due consideration, considered he was the person for the job. The opposition suggested that it smelled a rat, to use the vernacular. The way in which that issue was considered by the Legislature, after a series of questions in question periods, was for the matter to be referred to the public accounts committee. There was a specific inquiry done in this committee on that matter. It allowed the Legislature, and through the Legislature, the public, to have a full airing of the issue.

1030

I don't think any matter here is as contentious as that hiring was at that time, but the matters that did not receive majority support are obviously those matters that are somewhat contentious and have a political tone to them. You ought not to forget the fact that the public is specifically interested in these kinds of things; for example, hiring in ministers' offices. It's the one area where merit and the whole process of hiring through a civil service procedure does not apply. Ministers appropriately get to hire who they want when they want and fire who they want when they want. The only constraint is the global budget that's applied to this.

Our inquiry here is simply to ask, what are these global budgets and how do they compare with the global budgets of previous governments? It's no secret that the previous Liberal government spent more in ministers' offices than its predecessor the government under Bill Davis and, latterly, Frank Miller. I think it's fair that the public accounts committee look at what the new standards are for hiring in ministers' offices under a new party. I don't think that's an unfair inquiry and I don't think that's something we should keep from the public.

Similarly, advertising expenses have always been of particular public interest. Because the government used a new approach with its request for public input through the use of fairly significant ads and a 1-800 number—there's no magic to it. It's a new technology, and I think the government, on the face of it, did the right thing to use that technology, but the public accounts committee I think has a good opportunity here to make sure the government appropriately account for those sorts of unusual expenditures.

I guess I personally am a little upset that the Jack Layton contract, like the Dino Chiesa contract, couldn't come under our review, but I respect the decision of the subcommittee in that regard. Similarly with Polaris, I would have liked to have seen a Polaris investigation. I was the minister who carried that project along somewhat, not completing the project but carrying it along to a point. The current government actually awarded the contract.

There was one other item that did not receive majority support, and that is the accounting procedures used in the 1992-93 budget. Here's one I very much encourage the government members to support. I want to explain to you why that is. You might recall that there was a question raised by my colleague the member for Scarborough-Agincourt, Gerry Phillips, on the accounting procedures. Thereafter, there was an exchange of letters between Mr Phillips and the Provincial Auditor and the Treasurer. The Treasurer is on record as saying that he thinks his accounting procedures are acceptable but that he would invite and welcome the public accounts committee and the Provincial Auditor to look at that. Parenthetically, the Office of the Provincial Auditor said it was not competent to look at the accounting procedures in the absence of a direction from this committee and would look forward to that direction. But the Treasurer himself said that this committee is the appropriate place for that to take place.

What you've got in the subcommittee report, to sum up, are some things that would be done by unanimous agreement and consensus—that's good—and things that are done at the instance of the opposition. That is particularly the mandate of this committee and always has been. It's been the opposition's opportunity to do a little probing, and the government members in this province, historically at least, have acquiesced to that.

Finally, we have some things we will look at if anything comes up in the ongoing work of the Provincial Auditor. That gives us an opportunity to change our course a little. I think it's a fair tradeoff. Frankly, I would have wanted more as an opposition member, but when you're in opposition obviously you don't get everything you want. As a new member of this committee, I plead for the government members not to

simply vote in a way that protects the government from scrutiny but allows us to do a measure of interesting investigation that would be of interest to the public as well. I really hope you can support the majority report of the subcommittee.

Mr O'Connor: It's interesting hearing some of the discussion this morning around the subcommittee report. I appreciate the subcommittee taking a look and bringing forward this list. I think the recommendation to allow the Provincial Auditor to review and get back to us around the nursing home services and the extended care beds and home care assistance is a good approach to take. I think that's terrific.

The next area on the list was the waste management that's going to be reviewed. Again, I think that's something there's a lot of interest in around this committee, as well as the government-owned housing and the Ontario Housing Corp.

Polaris: I believe we had the minister in here earlier in the year. That did sound rather exciting. I'm sorry the subcommittee decided to remove that.

The Office of the Ombudsman: I think that's a good area to be looking at. Certainly we had a lot of people concerned about the process itself and how long it takes for things to get through that office. There is a number of areas there, the advertising being one, that could be looked at. I'm looking forward to that.

That brings us, I guess, to the accounting procedures of the 1992-93 budget. It's a shame that the subcommittee, if there was correspondence between the minister and the auditor and Mr Phillips, didn't table that with its motion to give us a little background so perhaps we could have supported it. But in the way it's been brought before us, I don't think it requires any support. It's a shame that we see this committee get politicized, as it is now about to become, by new members to this committee, members who haven't sat on this committee in the past year and a half when we have had a lot of consensus.

Mr Joseph Cordiano (Lawrence): On a point of order, Mr Chair: With all due respect to the member who had the floor previously, this committee—and I'm going to say this because I've been on this committee on several occasions throughout the last seven years—is designed to have the opposition make inquiries about government expenditures and the public accounts of the province. It really is the intent of this committee's mandate to allow for those inquiries to be made. Whether you perceive that to be political and partisan in nature is entirely beside the point that should be discussed here.

The Chair: Your point of order, Mr Cordiano?

Mr Cordiano: I wanted to raise that as a preliminary discussion leading to this point: It's really not appropriate to talk about what other members were implying of a personal nature and trying to reduce this to a question of partisanship.

The Chair: That's a good point, but it's not a point of order.

Mr O'Connor: We were having debate and discussion around different points raised on the subcommittee report, and that was one of them.

The 1-800 number of the Ministry of Government Services: I think that's an area that certainly is new. It shows that the government is very open to hearing from its constituents right across the province, whether they be in government members' ridings or opposition members' ridings. As governments take a look at it, it'll probably be a process that will be continued in other jurisdictions. I think it's a leading edge.

I'm sure the members will welcome the opportunity to take a look at each ministry during the estimates process, just as one of our opposition colleagues has done: The details around Jack Layton's contract were raised in the estimates committee, and the information he's asked for is going to be provided through estimates, as is the staffing in the Ministry of Health. I'm sure that when we get to that point in the estimates committee on Environment, these questions will again be raised, and at that time I'm sure the minister will make sure the information is provided.

I don't think we need to go into those details right now. I think there is a forum for the opposition to talk about it and discuss it. I would surely not want to take away from the opposition the right to ask those questions because those are the questions they feel are very important and should be asked, but I think the estimates committee is a good place for them to ask that question.

1040

This committee has been able to work in consensus on a number of areas of concern since I've been on this committee. It has had its partisan moments, but for the most part has been a lot less partisan, I think, than a number of committees of the Legislature. That doesn't take away from the fact that all members of this committee want to take a look at the accounting practices of any agency the Provincial Auditor has pointed out to this committee. As a public accounts committee, I think we should review the Provincial Auditor's report, go with his recommendations and review areas of concern.

I think that on more topical issues, issues of the day, there are forums for those, as in question period, places for those discussions to take place. I think we should be taking a look at the Provincial Auditor's report in a number of different areas; for example, the office of the registrar general has come up in the subcommittee. A lot of members are concerned about the delays that residents of Ontario have had to face since the moving of that office, so I think that's something we'll look at. I appreciate that recommendation coming forward from the subcommittee.

There are a number of areas I can support in the subcommittee report, but not the entire subcommittee report.

The Chair: We have Mr Tilson on the list, and Mr Sorbara, and we're still running the list.

Mr David Tilson (Dufferin-Peel): I hope those are Mr O'Connor's personal comments that have just been made and not the position of the government members, because I must say that the last two items that have been suggested, the staffing issues, are just routine observations.

Interjections.

The Chair: Order. I'm having difficulty hearing Mr Tilson. I'd like to hear what Mr Tilson has to say.

Mr Tilson: They're routine observations. I support the requests that were put forward by Mr Sorbara; I don't think they're anything out of the ordinary. In fact, the way you're phrasing it, it almost intrigues me. I think we should pursue it even more. It's almost as if the government is hiding something. I hope you're not.

I support specifically the staffing issue with respect to the Ministry of Health. We spent all of last year on the issue of substance abuse. We had trips to the United States to examine some of the institutions. We had trips in Ontario to examine some of the institutions in Ontario. We spent a great deal of time and effort for several reasons. First, we were concerned with the issue of the rising health cost and, second, we were concerned with whether we were providing adequate health services to people who had problems with alcohol or drug abuse. We spent a great deal of time on that.

One item that keeps cropping up in our government, no matter which party happens to have control of this place, is the cost of health—one third of the budget, and it's probably increasing. I think it's a very logical observation. We should be looking at every aspect of the Ministry of Health. The Ministry of Health has been reorganized into, I believe, five divisions. I don't know whether I understand that or not, but that is a decision that's been made. I think it's a logical request; there's nothing out of the ordinary. Is there a policy with respect to staffing in a minister's office, in any minister's office? And if there is a policy, is that policy being followed? These are very routine types of questions. You shouldn't feel threatened by these requests at all.

With respect to the accounting procedures used in the 1992-93 budget, it's almost as if you are threatened, that there's a suggestion that we're politicizing that whole subject. Every concern with respect to the budget was whether adequate—

Interjections.

The Chair: Order, please. I'm having difficulty hearing Mr Tilson.

Mr Tilson: Every concern that was raised with respect to the budget—there was a number of criticisms, of course, but one of them was, was the Treasurer using proper accounting procedures in that budget with respect to revenue? Mr Sorbara's notice of motion sets those out very well.

Very reasonable, well-thought-out observations and questions that remain unanswered. I don't believe any of these matters, those three matters specifically, will take a great deal of time for the auditor to spend some time on.

With respect to the use of the 1-800 number, to say that this is being studied in the estimates, well, maybe they are studying it in the estimates, maybe there are all kinds of committees studying it in the estimates, but I, as a member of the public accounts committee, think this consultation process is reasonable for us as an independent committee to study the decision by the government to apply this: Is this consultation process appropriate? What's the cost of it? What's the effect of it? I think it's a reasonable request to make, and again I don't think it will take a great deal of

time for the Provincial Auditor to spend time on that subject as well.

I support the report of the subcommittee completely. I think they are reasonable requests. I would also add that I'm glad we're unanimous on the subject of the registrar general, because I think that is a concern that is giving all of us in the House great concern with our constituents. Of all the calls we all get, the length of time it takes to get any form of certificate is one of the favourite questions that is asked of us as members. So I'm glad we are united in supporting that.

So Mr Chairman, subject to other comments made by other members, I would support the motion of Mr Sorbara.

The Chair: Thank you, Mr Tilson. Mr Sorbara.

Mr Sorbara: I'm really worried that the comments of Mr O'Connor represent the comments of the six government members who are here today. I really feel like I ought to just pack up my toys and boogie on out of this committee. If that's going to be the approach there really isn't much point in me, for one, being here. Mr O'Connor's original remarks were an expression of his own displeasure at the fact that there were new members on this committee who were going to bring a political dimension to this. It's the first time I've ever been insulted on my first substantive meeting of a committee. I expect in politics that you get insults now and again.

I say to my friend Mr O'Connor and the other members that if that's actually going to be the case, that you're going to vote down anything that has any controversial aspects to it, then I simply say that I am now starting to identify an orchestrated initiative on the part of the government of Ontario to silence opposition in Ontario. That's not totalitarianism yet.

I say to my friend Ms Murdock that never in the history of the Parliament of Ontario have we seen a government House leader introduce changes to the rules in midsession. Today you're going to be voting, I take it, to silence any opposition voice on this committee. I want to step back, if I might—

Mr O'Connor: Are we talking about the subcommittee report?

The Chair: Order. Do you have a point of order, Mr O'Connor?

Mr O'Connor: Yes. Are we still talking about the subcommittee report or are we talking about question period?

The Chair: Yes, we're talking about the subcommittee report.

Mr Sorbara: You guys want to go to war, okay? I want to remind Ms Murdock of the previous Parliament and the work her employer did at that time as the opposition critic for Labour. She fought me brilliantly on Bill 162, and at the end of the day I said publicly that Ms Martel, then the opposition critic for Labour and the member for Sudbury East, was one of the best parliamentarians I had ever seen, because she used her responsibility as opposition to ensure that her point of view on that bill was put across. Interesting that when those rules pass, that will never happen again in the Parliament of Ontario.

1050

Ms Haeck: Mr Chair, I'd like to put forward a point of order: We've really deviated and digressed from the point of this conversation, which is the subcommittee's recommendations, and the kind of discussion we have just heard really is inappropriate.

The Chair: There is nothing out of order. Mr Sorbara, you can proceed.

Mr Sorbara: I simply want an indication from the government—

Ms Haeck: On a point of order, Mr Chair: Is this committee going to function in this rather partisan fashion and are you going to allow this kind of discussion to go on? You cut me off on a regular basis, but you don't cut off your colleague from the Liberal party. I don't think that is appropriate. As a chairperson, you are supposed to be non-partisan, and so far you have shown yourself to be very partisan. I think Mr Sorbara should be on topic as opposed to his flight of fancy as per usual.

Interjections.

The Chair: Order, please.

Mr Tilson: I don't even support the Liberals, but that comment is completely inappropriate.

Ms Haeck: No, I think it's quite appropriate in light of—

Mr Sorbara: You said I'm bringing politics in, and now you challenge the Chair. I think I have the floor.

The Chair: No, I have the floor. Let me see if I can recollect everything that's been said this morning for the benefit of Ms Haeck.

Mr O'Connor spoke and I allowed Mr O'Connor as much latitude as he wanted without interruption. As a matter of fact, while he was speaking and after he spoke, members of the committee felt that he was out of order and being highly partisan, and I let that pass.

Mr Cordiano interrupted a member of the government on a point of order. After listening to Mr Cordiano for about 30 seconds, I ruled him out of order and I said he had no point of order. I believe I treated you exactly the same way as I treated Mr Cordiano. I would invite you to reread the Hansard of this morning and reconsider your remarks.

I believe at this time—who was the last member who had the floor?—Mr Sorbara. We have a list that has Mr Sorbara on the floor at this time, followed by Mr Callahan and any other members who wish to speak. I will make no further comments on the other comments that you made, Ms Haeck.

Ms Haeck: But I also had my hand up and I'm not on the list.

The Chair: Has there ever been anyone on this committee who has not been able to speak when they wanted to?

Ms Haeck: I had my hand up prior to Mr Callahan.

The Chair: Mr Callahan had his hand up immediately after he came in, which was some minutes ago.

Ms Haeck: I know. But I also had my hand up before Mr Callahan.

The Chair: Ms Haeck, you're not going to be denied your opportunity to speak. I will not engage you in attacks and counterattacks. You are allowed your opinion, but you're not going to drag me into the mud. I'm letting you know that right now.

We have Mr Sorbara, followed by Mr Callahan, followed by Ms Haeck. I would invite committee members to address the issues at hand and to address each other. If you have any more personal comments to make about the Chair, I would request that you think about them very seriously before they're made.

Mr Sorbara: Thank you, Mr Chairman. I'm just going to wrap up my comments, inasmuch as my colleague Mr Callahan has a meeting at 11 and he has a few brief remarks.

I guess all I can say at this point to the government members is that I would make one simple request, that each of you just spend two or three minutes talking to one of your own colleagues who has had some history in this Legislature—Bud Wildman, the Treasurer certainly, the Premier, Bob Mackenzie, any of them—just to get a flavour of what the appropriate expectations of opposition members are in using a variety of forms to challenge the government in sensitive areas. If, having done that, you return here with the view that anything that is of some controversy and might grab a headline or might embarrass the government ought not to be discussed in this committee, then I simply say to you that where the province of Ontario is going is into a one-party state.

But you know something? It won't be your party. It will be some right-wing, fascistic kind of party who sees now that you can actually get elected and the voice of opposition to government has been silenced, and it will take over. You're beginning that with your rule changes. The style of your government is not simply to respond to opposition but to silence opposition. I think that's very unfortunate.

Mr Chairman, I once again reiterate my plea that the entirety of the subcommittee report be adopted. Some of it will be more controversial than others, but politics and the public's business is always of some moment and some controversy, and those of us who are in opposition have a responsibility to ensure that those controversial parts of the agenda are brought to the public's attention. This committee in particular, the public accounts committee, has a special mandate, and the Provincial Auditor, who serves this committee, has a special mandate—not to report on all of the good things that government is doing but all of those areas where there is some question as to the nature of government expenditures. If this committee does not want to probe into those areas which are of some question, then I fear one day that sort of attitude will eliminate even the office of the Provincial Auditor.

The Chair: We have Mr Callahan and Ms Haeck on the list.

Mr Robert V. Callahan (Brampton South): Mr Chairman, first of all, if Mrs Haeck did have her hand up before mine, I would ask her indulgence to be able to speak because I do have to leave for a brief period of time.

I guess maybe what I have done is spoil this committee, I don't know. But I do believe that despite the tradition of this committee being non-partisan, that means non-partisan for all of us. That means that you people as government members should not take the approach that if something is to be probed through the auditor, you would block it.

That, to me, is the non-partisan nature of this committee. If you do that, then the committee becomes a useless tool in a majority government because in fact you can block the auditor looking into the most horrendous things. I would urge you to look at the hearings when the member for Etobicoke-Rexdale chaired this committee. They investigated, while we were in government, a whole host of controversial things and I don't believe—I'd have to check the record—there was ever an effort to block the investigation, because regardless of what party we belong to, we all have a public duty and a public responsibility to ensure that the moneys that are taken from the taxpayers are spent wisely and not just doled out in an inconsistent or an inconsiderate way. If we can't achieve that on a non-partisan basis, then we've got problems.

I must say that when I looked at the subcommittee's report, at first blush I thought maybe they are too controversial, but I don't think they are. I think these are matters that could as well have been put on the order paper and the minister would have had to respond to them under the rules of the Legislature.

I haven't changed my spots. I still believe the tradition of this committee is that it's non-partisan, but its non-partisanship should be for everybody, all parties, even the government, that we investigate every possible item where moneys may be inappropriately spent. I suggest that if you look through the subcommittee agenda, the question of how we go about talking about a deficit is very important. I mean, should there be smoke and mirrors? I'm not suggesting there is, but let's have the auditor tell us that. If that's the case, then that should not be done by any Treasurer, be it Liberal, Conservative or NDP.

The next one dealing with the 1-800 number, I think that's absolutely critical. That's money that's been spent on a program, and we have to have the auditor find out whether that was an effective use of money, or was it in fact—I'm not suggesting that I have a predisposition to one way or the other—just a way of advertising one political idea? I think that's wrong. I don't think any of us are entitled, when we're in government, to simply use the public purse for our own edification.

1100

If you look at the question of Mr Layton's hiring, we've been told by the Minister of Health that hiring was as a political member of her staff and out of her political budget. If that turns out to be the case, then I don't suppose any of us can argue that she's not entitled to do that, but at the moment there's a bit of a cloud out there as to whether that is the case. I think that is an appropriate area for concern.

The latter one was investigating the number of individuals on her staff. I think the auditor has a responsibility, as we do to direct him, to go and look at the payroll staff and say, "Okay, every minister's entitled to so many peo-

ple on the payroll." Fair game, political people, but if they've just expanded the payroll while at the same time they've reduced the moneys available to the opposition parties, which is a truism, and in fact have put some of us in difficulty in terms of being able to have that same largess, that's not fair. I don't think the taxpayers of Ontario should have to fund that and I think that's a legitimate item to be looked at as well.

The next one is similar to that, only it's dealing with Environment.

I don't think anybody could really take issue with the last one. I expect there would be a unanimous vote on that. That's a very significant item and I think it's one that should be shared by all members.

As I say, I try to be consistent. I don't think I'm being inconsistent from the way I was when I was Chair of this committee. I think the Chairman is doing the same thing. He's chairing this committee as an impartial arbiter, but we have a responsibility that is unlike any responsibility of any other committee in this House, to be the watchdog of the public purse.

If we're going to play partisan politics, I suggest it's a very dangerous situation because you people may be in opposition next time and some other party may be the government. Surely to God you don't want to set a precedent that the public money can just be spent for the benefit of the ruling party. That flies in the face of anything I understand about democracy and anything I understand about the most important issue that people are telling us about, that they're tired of paying taxes. They want accountability. They want to know why the taxes are spent and what they're spent for.

I'll tell you one thing. I just spoke on Mr Drainville's motion in the House in terms of reform of this place. I think the people are not unhappy about the taxes per se; they're unhappy because they don't see anything coming from those extraordinary taxes they're paying. The reason they don't see that is because when we operate in the House—and this is not an indictment of the present government but probably is an indictment of all parties that have been in this Legislature—when the vote takes place, it's like you're joined at the hip and people out there can't possibly believe that every measure that comes before the House is one that you have a burning desire to support. Nobody ever stands up and expresses his own interest. People are mad about that and I think they'll be even madder if we vote against these measures, any or all of them.

Ms Haeck: I would like to move, Mr Chair, that we vote on these and basically try to set our agenda for the summer.

The Chair: Mr Sorbara has moved that the public accounts committee accept the majority report of the subcommittee. A recorded vote has been asked for.

The committee divided on Mr Sorbara's motion, which was negatived on the following vote:

Ayes—4

Callahan, Cordiano, Sorbara, Tilson.

Nays—6

Duignan, Frankford, Haeck, Hayes, Murdock (Sudbury), O'Connor.

The Chair: The majority report of the subcommittee has been rejected. We have at this point in time no agreed-upon agenda for the work of this committee. I look to the committee for instructions as to what you're going to do.

Mr Sorbara: Motion to adjourn.

The Chair: Mr Sorbara has made a motion to adjourn. All in favour? All opposed? The motion is defeated.

COMMITTEE BUSINESS

The Chair: This committee has no agreed-upon agenda. I look to the committee to put forward an agenda for the work of this committee over the next number of months.

Ms Haeck: I would move that we go down the items that are before us and vote for or against them as they are read.

The Chair: Ms Haeck has moved that we look at the sheet that is before us, entitled "Standing Committee on Public Accounts: List of Possible Areas of Review," and that we examine each and every item individually and have individual votes on each item. All in favour of Ms Haeck's motion?

Mr Tilson: The motion is to vote on each item individually, is that it?

The Chair: Yes. That's the motion as I understand it, Mr Tilson. Any discussion on the motion?

Mr Sorbara: I'm going to be away for the rest of the morning now. I simply want to say to the government members that when they've decided what they want public accounts to deal with, because they have the majority here, just let us know and we'll come and do the business. But I want to point out once again that what you're attempting to do is to take over one of the couple of committees that has historically been provided under the rules of the Legislature to give opposition members an opportunity to probe what is going on in the government. That's your right. You won the election. You have the power to do anything you want in Ontario. That's the way the British parliamentary system works.

In Ontario's parliamentary system there are a few opportunities for opposition members to probe and do the work of an opposition party. One of them is an hour a day in question period. Rarely do we get answers, but sometimes that's enough of an opportunity to raise an issue to bring to the attention of the public, which is our responsibility: something that the public would be concerned about.

On the committee structure, there are two committees: One is estimates and the other is the public accounts committee and basically that's it. That's what we have. Today is an important day in history for the Parliament of Ontario because today, by your actions, without any consultation—I don't suspect this has been talked about in cabinet—you've decided that from now on the government, exclusively, will control the agenda of the public accounts committee.

A week ago your government House leader introduced rules for the Legislature, in the middle of the game. It was simply an announcement that the government would take over the operation of the Legislature without notice and without consultation, unprecedented in the history of Ontario. It's like saying in the middle of the game that you don't like the rules so you're changing the rules.

This is done, by the way, sir, by a party that has championed fairness throughout its life as a political party and that of its predecessor, the Co-operative Commonwealth Federation. Every important speech by every NDP and CCF politician has begun and ended with the word "fairness"—fairness for people, not just for the majority. My God, if you listen to Bob Rae, he's always saying, "We have to worry about those people who are underrepresented or underempowered, whether they be women or whether they be visible minorities or whether they be the disabled or whether they be native people or whether they be the poor." Gandhi said, "You judge a society on how that society treats its minorities," not on how the society treats the majority, those who are in power.

1110

What are we getting here? An orchestrated attempt to simply ignore the minority, which the opposition is by definition. So today you have taken over the public accounts committee. No one's going to write an editorial on it. No one's going to march in the streets about it. It's just one little nick at the democratic process.

You government members, particularly the new government members, think that somehow you are here to reign under the divine right of kings and queens. We are all here for only a little while, and our primary responsibility, going beyond labour legislation and Sunday shopping legislation, is to maintain a healthy democracy so that those who inherit this province after have a system that is fairer than the one we inherited. That's the most important thing we do. We are temporary occupants of seats in the Legislature. We were elected to be the custodians of the democracy, and to lightly fling away those things which ensure that there will be a vibrant debate is simply to say that we're here to accomplish our agenda and the rest of it be damned.

As I said, no one is going to make any note of the fact that the vote you've just taken possibly signals an end to the tradition of the public accounts committee sticking a needle in government to see where government is sensitive.

We're not here to do the government's agenda. This is public accounts. We're here to look at the questionable or controversial expenditures of government. "Oh well, why don't we look at, I don't know, the salary range for a CF-4 employee in the Ministry of Government Services to see if we think that's all right?" Well, big deal.

But you know what you do? When you do this today, you invite some arbitrary and capricious government down the road to simply shut down the opposition voice, the people's voice, when something of real substance comes up. Once again, I'll just remind you of the way in which your party effectively utilized opposition. The member for Welland-Thorold, Peter Kormos, filibustered for days and days in the Legislature. You know what happened at the end? The entire Legislature, en masse, when he was finally

done, stood up and gave him the loudest and longest round of applause I have ever heard.

Mr Callahan: I don't remember that.

Mr Sorbara: Well, I do.

Mr Callahan: I'm only kidding.

Mr Sorbara: Not because we agreed with him or supported his tactics but because he took a position and fought for it. He believed in it and he crusaded for it. That's what opposition parties do. The member for Sudbury East forced the Legislature, in its sitting in 1989, to sit until July 27 because she was so opposed to my legislation, Bill 162.

Mr Pat Hayes (Essex-Kent): Rightfully so.

Mr Sorbara: Well, my friend, Mr Hayes, I'll tell you something. You are going to be defeated one day, and there will be a right-wing, arbitrary government which will prohibit you as an opposition member from speaking. You will remember the day in this public accounts committee that you decided the government agenda was the only agenda. You have no idea of the significance—

Mr Hayes: Mr Chair, I guess if Mr Sorbara's going to start addressing individual members—

Mr Sorbara: I only address members who interject and heckle me.

Interjections.

The Chair: Order, please. Is there something wrong that we don't understand what the word "order" means? Order, please.

I believe he was responding to your interjection, Mr Hayes, and that's one of the reasons why the—

Interjection.

The Chair: Do you wish to interject while I'm speaking too? Is there something you wish to tell me?

Ms Haeck: Just to advise you that Mr Sorbara was giving us a long, patronizing lecture, which we really don't need. We need a vote.

The Chair: You'll have your chance to respond to Mr Sorbara's comments. You'll have a chance to respond to them in any fashion you like without restriction from the Chair. I don't think I need to be lectured from you, Miss Haeck, right now on what members can say and how they can say it. I think the members are capable of doing that themselves. I have no problems with the interjections that are made occasionally and I have no problems with the interjection that Mr Hayes made and Mr Sorbara decided to respond to. I'm not going to cut off all interaction by the members by any means.

Mr Sorbara: I simply say, in conjunction with your ruling, Mr Chair, that yes, I was responding to an interjection by Mr Hayes. I hope that if members interject, which parenthetically I note is out of order, you as Chair won't prohibit a sort of across-the-table response.

I'm not sure who it was, I guess it was Miss Haeck, who suggested that you were getting a patronizing speech from me. That may be the case. I simply say in response that, once again, I believe my primary responsibility as a parliamentarian is to protect the institutions of democracy.

Many of you, including my friend Mr Hayes, have spent a great deal of time in the trade union movement. I suggest to you, speaking about the rules that were tabled by the government House leader the other day, that there would be some rather mild reaction if in the middle of a collective agreement management, which is what government is—

Mr O'Connor: On a point of order, Mr Chair: I'm just wondering. Are we still dealing with the motion by Miss Haeck to review this list point by point?

The Chair: Yes. Miss Haeck made a motion that the committee deal with the list that is before you on an individual basis and members are placing forward their reasons as to why or why not we should proceed in that manner.

Mr O'Connor: Thank you.

Mr Callahan: On a point of order, Mr Chair: I'm asking for your advice. How can we address these issues individually when the motion to adopt them was defeated? How can you bring it back? It's been defeated. You can't raise it. According to the rules, I believe you can't raise a vote on that again, at least in today's session. You'd have to wait until the next session.

The Chair: I explained to the committee early on—

Mr Callahan: I'm sorry; I was absent.

The Chair: That's fine. I explained to the committee early on that there was a majority report referred to the full committee, not a unanimous report, and a motion was made to accept the majority report of the subcommittee. After a lengthy discussion, that motion was defeated. Then it was decided by the committee that we had to deal with the items for possible work of this committee in another fashion, because if we don't, we're not going to be in a position to plan our work over the next few months. It was then decided by Miss Haeck that the committee should deal with the list before us on an individual basis, and that's where we're at now. Members are now making their cases for why we should deal with these matters on an individual basis, or not at all, or any other way.

Mr Callahan: Is she reopening the question? Is that what she's doing?

The Chair: In my view, the question is not being reopened in the way you have described. I believe her motion is in order.

Mr Tilson: On that same point of order, Mr Chair: In effect, that is exactly what she is doing. She did have the right to make amendments to—

Mr Callahan: She could have moved to division.

Mr Tilson: She could have moved to division or she could have made amendments that specific items be deleted from the report. They chose not to. They chose to essentially defeat the report and all of the sections to it. I think Mr Callahan's observations are quite right. Essentially she is asking for a vote on exactly what we've just voted on.

1120

Mr O'Connor: On the same point of order, Mr Chair: I would think that we would like to hear on each point, as you have been ruling, so that we have a full discussion on

each point as we come to it in the form of a vote. I believe that was the spirit of Miss Haeck's motion and I believe that was the spirit in which we were supposed to be addressing that motion. I would hope that we could continue that. I would like to hear from the opposition members their ideas around some of these areas of concern. I'm sure they would like to hear from us as well around a number of these areas.

The Chair: I appreciate the help given to me by members. I have concluded that Miss Haeck's motion is in order, and I will ask the committee members to continue the debate on the motion.

Mr Sorbara: do you have any further comments to make?

Mr Sorbara: Yes, I do. I can hardly even remember where I was. I think I was—

The Chair: If you will indulge me for the benefit of the committee, we're running a list. After Mr Sorbara we have Mr Cordiano, Mr O'Connor, Mr Callahan and Mr Hayes, and we have 40 minutes left for this morning.

Mr Sorbara: I'm just going to wind up my comments in this way: When the government decides it will exclusively control the agenda of the public accounts committee and simply ignore the opposition's request to investigate areas which are of some sensitivity, it has little effect on those particular areas, but it has great significance in describing the government's view as to what extent it will tolerate opposition.

That's the reason I was speaking to the rule changes, by the way, which are not only unprecedented but shocking in the way in which they were introduced without notice and without even an opportunity to allow opposition to review them in caucus before they were called for debate. This is probably the strongest message that comes out of this government. It goes beyond flip-flopping on Sunday shopping or on any particular issue. It's a style of government, and frankly I say to my friends in the government that it's your style of government, your arbitrary determination to proceed because you believe you are the chosen, that will defeat you. It will defeat you in Essex, it will defeat you in Durham and it will defeat you in every corner of the province. Frankly, given what's happened here today and what's happened in the House lately, I can't wait.

Mr Cordiano: Let's be perfectly precise about what we're doing here and let's review it once again. This, I think, is the net effect of what I'm hearing: You have rejected the subcommittee's ordering of business for this committee. What was agreed to by subcommittee this morning you have now defeated by way of motion in this committee. Am I correct in what I'm hearing, Mr Chair? Is that the final result of what was decided earlier this morning in this committee?

The Chair: All I can tell you at this point, Mr Cordiano, is that the motion to accept the majority report of the subcommittee was defeated by a vote of this committee.

Mr Cordiano: Then I am correct to assume what I'm assuming.

Interjection.

Mr Cordiano: Well, it's been by tradition on this committee and as a matter of practical operations that we have always agreed to the subcommittee of this committee ordering the agenda of this committee by way of consensus or by way of a unanimous or majority agreement, for that matter.

Since I've been a member of this committee, and that goes back some time now—I will defer to those people who have sat on this committee longer than I have. Perhaps you could ask the member for Etobicoke-Rexdale, who was the Chair of this committee in the previous administration prior to the last election. I believe it has always been the subcommittee that has ordered the business of this committee. By virtue of that, you then have an opportunity for the opposition to have its say. If you bring motions to the full committee, as you've done today, then by definition and by logic you will rule the agenda of this committee. That certainly defeats the purpose of this committee.

There's no question that you have a majority on this committee. You have a majority on every committee in this Legislature. But it's been by tradition—and I will not repeat what was stated earlier by my colleague who spoke before me. As he so eloquently put it, you are ruling by force of majority. You do not allow this committee to operate in the best interests of the larger public, because we simply cannot oppose you. We don't have the numbers. You then have an opportunity to do what you like with this committee. That defeats the very nature and the purpose of this committee. I simply cannot operate in that fashion.

If we did come to agreement by consensus only, then that would be wonderful, but that's not going to happen. You have to allow us to have a say. The only way you can do that is through the subcommittee ordering the agenda of this committee. That's been by tradition. You are fundamentally changing the way this committee is to operate in the future. We cannot accept that as a minority. We cannot accept that. We refuse to accept that. We are going to fight for our rights on this committee. We have to do that. That's our obligation and our duty.

So I'm going to say this to you: I understand that if that's the net effect and the result of what we're determining this morning, then we have to fight you on it.

Mr O'Connor: We've certainly had a wide-ranging discussion this morning on a number of issues. If we take a look at the proposed changes, for myself as a new member who never made it in the first sitting of this government to be a cabinet minister, that opportunity to speak—because as every opposition member has the opportunity to speak in rotation, we do have an awful lot of backbenchers. I think these rule changes are going to allow the backbenchers such as myself who never made it into cabinet a chance to speak out for our constituents. I think there are going to be a lot of changes and I think they're going to work. Hearing from people who sit in opposition in Ottawa, I've heard that they felt the rule changes have been good too.

When we listen to debates in the Legislature they go on for hours and hours at a time. They certainly lose the train of thought. They certainly lose the attention of the members sitting in the House. Some members, perhaps, are a little more eloquent in the way they present themselves

when they do get into a filibuster of sorts, and perhaps we're going to be at a loss for opportunities to see some future parliamentarians in that. I suppose that at that point in time there could be changes in the rules that would allow that to take place. Maybe somewhere down the road we'll decide, our government or the next government, that the rule changes weren't quite as effective as people had thought they would be and they'll be changed and allow more liberal debates to take place. Because it is a whole evolution process of Parliament.

I think we've heard a lot of discussion about this committee trying to stifle debate by the opposition. Frankly, I don't agree with that. If you consider the amount of time this committee has sat since this session started and see exactly—perhaps our researcher would like to do a little project for us on the time spent in this committee in discussion and who's held the floor for the longest and have we then stifled the opposition. I hope we haven't limited them to a shortened amount of time in discussion in this committee, because I don't think that would be appropriate. I think we would have a full-ranging discussion.

As members in the Legislature, some members speak for a lot longer period of time and are very eloquent about it and some members are a little bit shorter, more concise in their points and to the point. They're quicker and perhaps even more effective in getting their points across. Maybe that's what would be reflected in the way the time has been used in this committee.

About the question, then, around accountability: Surely to goodness there wouldn't be any member of this committee who would say we didn't want to have accountability. When we take a look at the long list the subcommittee has presented to us, sure there are areas that are of concern. There are areas that we received consensus on in developing this list, because members of the previous committee have sat down to come up with some of these ideas. Some of them could be around nursing home care, for example, and waste management was an area that we had developed a consensus on. So when you say then that we have stifled the opposition because we agreed on it, I don't know whether that would be the way you'd say it.

1130

If we take a look at areas the opposition thought we should take a look at, on this list was Polaris; the Office of the Ombudsman I think was more or less consensus, and I think the opposition really wanted to look at that; the office of the registrar general was something the opposition brought forward. I don't think we're stifling the opposition; I think what we're doing here is allowing for a wide-ranging area to be taken a look at.

Should we agree every time with what the subcommittee reports? A subcommittee majority report—let me perhaps phrase it a little bit differently. What we have is—seeing that the majority of the subcommittee is all opposition—a majority opposition motion. We've got a majority report by the majority opposition that didn't have agreement by the government. I think that's why we do bring the subcommittee report to this committee: so that we can have a discussion with the full committee, so that

other members have a chance to take a look and review and discuss what has been before us.

Some antics that take place in this committee at times do bother me: for example, a motion to adjourn because you didn't get your way. I don't think that's an appropriate use of this committee's time. I've seen motions like that in the Legislature and I don't think that is a good use of the legislative time. That's one of the areas that's going to be addressed in the rule changes.

I had a student from my riding down here observing last year's filibuster by the Conservative Party, where a member would speak for a short period of time, there would be a motion to adjourn, the bells would ring and then that very member who had that motion to adjourn stood up and went on and on again for some time. I had a difficult time explaining to the student from my riding why that person had a chance to have that. Why wouldn't you just go into rotation then so that all members have a chance to speak? It's very curious, and that's one area that's going to be addressed in the rule changes. So to have some of those changes is very necessary, and to hear opposition members say that we don't want to hear from them is ludicrous.

Areas for this committee and other standing committees to take a look at: the finance of Ontario—there are many areas. The public accounts area is only one area, one avenue, for opposition and government members to ask critical questions. I as a backbencher even have the opportunity to ask questions in the estimates process about things that are going to affect my riding specifically, because quite often the constituents of my riding want to know how things work. That's the opportunity I have. When we go in rotation during question period we only have a limited amount of time for questions, so we can't always place the questions we'd like to a minister.

So I applaud the estimates process, which has been in there for a long period of time. I think that's the opportunity not only for opposition members but also for government members who don't always have the opportunity to ask financial questions in the Legislature and how they affect constituents in their ridings. I think that's very important.

When we take a look at the budgetary process, is it a sham? I can't believe discussion like that, but we do have a process that deals with the budget of Ontario. The standing committee on finance and economic affairs travels the province and listens to people from many different areas who have concerns around what they would like to see, what they wouldn't like to see in the budget, what they'd like to see change, increases—I don't imagine it's very often anyone comes to say, "Maybe you can decrease an area." I don't think that would happen too often. That's another avenue for committee members and members of the Legislature to take a look at the budgetary process of Ontario.

Going into this past budget we had an opportunity, because there were many discussion papers put out by the Treasurer, to take a look at some practices in accounting that would have generated revenue for Ontario—

Mr Tilson: We didn't even have the right to debate the budget. What are you talking about?

Mr O'Connor: We'll get to that point, because we do debate the budget bill by bill. We had an opportunity to discuss the budget in several forums. We've even had information provided to us so that we could take that discussion to the province, to our constituents and ask them what they thought would be a more appropriate way. I recall meeting with some constituents in my riding and talking about the budget process and about a 1% increase in sales tax and what effect that would have on the revenues of the province.

I recall it was \$900 million, if I'm not mistaken. That was, by the figures provided by the treasury, how much more revenue we would have to work with. I thought that was very interesting. I posed questions like that to my constituents.

Mr Tilson: That's the whole reason why we are putting this forward.

Mr Sorbara: That is a fascinating fact. My goodness. A piece of information becomes available.

The Chair: The odd interjection is okay, but I don't think we should try to take the floor away from the speaker.

Mr O'Connor: I try to allow members of all sides to speak without too many interjections, although at times I do fail and do interject myself.

Taking that out to our constituents was something that wasn't always available. There is a lot of information made available about the finances of the province, though opposition members can say it isn't enough or is so general it doesn't really matter. Our constituents, the people of Ontario, have at least an opportunity to see how different areas impact on that.

Interjections.

The Chair: I am having difficulty hearing Mr O'Connor. Please keep all private conversations at a lower level. Mr O'Connor, you have the floor.

Mr O'Connor: I think what we need to do in this committee, because we seem to have gotten ourselves delayed somehow in the discussion of whether we are trying to hijack this committee and whether the government is going to take it over completely, is take a look at what we've got before us. We've been discussing the agenda of this committee for some time now. We've talked about a number of areas that we'd like to take a look at and we've agreed on a lot of areas for us to look at. We've got recommendations by the auditor's office in areas that it will review and get back to us on so that we can take a look at that in the future. I think that perhaps they're very wise in the way they put that together, because some of the things we had expressed interest in dealt with the 1990 annual audit report. Perhaps that review is necessary so that we can do an accurate assessment of whether we want to continue in that vein. But as to whether this committee wants to just set the tone and allow this committee to stifle the opposition, I don't think that's the case.

Mr Tilson: We want to work on these things and you're not even letting us work.

Mr O'Connor: What I wanted to say is that we've got a number of areas—for example, details around the

contract of Jack Layton. That information is going to be provided to the members of this committee, because as members of the Legislature we are entitled to all the documentation from every standing committee. That question was asked in estimates and that information is going to be made available.

Mr Sorbara: On a point of order, Mr Chairman: Under the standing orders for this committee, my friend from Durham-York is referring to the details of the contract with Jack Layton. I think it's necessary for this Chair to realize that this opposition party and, I take it, the Tories as well, have accepted the subcommittee's decision—as they have accepted all the subcommittee's decisions—that it would not be subject to our discussion here. I think my friend from Durham-York is really off-topic when he suggests that it somehow still forms part of the potential agenda.

The Chair: Order, please. It's a good point, but it's not a point of order.

1140

Mr O'Connor: Thank you, Mr Chair. As we're dealing with the area that has been reviewed by the subcommittee, that was one of the areas that was raised at the subcommittee—

Mr Sorbara: And rejected.

Mr O'Connor: —and was an area that the subcommittee had decided that we wouldn't look at. Because the opposition has raised it, I want to make sure the opposition members have an opportunity to take a look at the Hansard from estimates. That information we made available for them, and I'm sure that was an area of concern—otherwise they wouldn't have raised it—and the subcommittee obviously must have realized it was going to be dealt with somewhere else, so that was a good recommendation.

The staffing in the Ministry of Health is another area that was being dealt in the estimates process. So again it would be a waste of this committee's time to be reviewing what has already been reviewed. I would suggest that they take a look at the Hansard from the estimates and review that, because that's something that is being dealt with.

We've got a lot of areas of agreement and a lot of areas that have been put forward by the opposition parties in the subcommittee report, and I think we should take a look at that. I'm sure we can find agreement in a lot of areas. I think the process of government of course has always been that there's been a vote after a healthy discussion and debate around a number of areas, and I would hope that process continues.

I would just in closing like to say that there are a number of areas there that I think are very worthwhile for this committee's time to be spent on; a number of areas that are going to be looked at and don't need the attention of this committee, because they're being looked at through other standing committees of the Legislature. I would hope, in the spirit of that, that the opposition members wouldn't think we're trying to stifle them, we're trying not to allow them their opportunity to speak and discuss them. But they should take a look at other committees' Hansards, because that's an opportunity that all members of the Legislature have, and take a look at that in the spirit that has been offered.

Mr Callahan: Mr O'Connor, I hear what you're saying about your opportunities if the new rules come into place to be able to speak in the House. I understand your frustration totally in a caucus of 65 people or whatever, where you probably don't even get to talk to caucus. I haven't been the bug on the wall or the fly on the wall. I know of what I speak.

The problem is that when you get up to speak in the Legislature with this new-found freedom, you won't be allowed to speak what you want to speak, because you will be told that you can't. Do you not understand that that's exactly what we're fighting here, the fact that the public accounts committee—and that's why it's non-partisan—is your opportunity to do your job effectively and not have anybody tell you what you can do or you can't do? The best they can do is remove you from the committee, I guess, if they're not happy with what you agree to.

You can't do that in any other place in this joint. You can't do it in the Legislature. You might be able to do it on private members' day, but even there we're watching your member for Victoria-Haliburton, who has been muzzled. You don't have to tell me whether he was or not in caucus, because the motion he introduced was not the one that he would like to have introduced. It's not going to be supported by your party, because someone in caucus stood up and said, "Hey, you guys and gals, you can't support that motion even if you believe in it." I'll take bets that when the vote takes place on the Victoria-Haliburton member's resolution and there's a division, the government members to the letter, with the exception perhaps of the member for Welland-Thorold, will vote against it, because you've been given your marching orders.

For God's sake, wake up. I say that with all due respect, because I know what it's all about. Wake up and realize that this is your empowerment. This is your chance to do something for your constituents and to be seen as doing it. In no way, shape or form are you letting your party down, because the Provincial Auditor—not the government's auditor; the Provincial Auditor, the people's auditor—is here to assist us in terms of looking after the fiscal policies of the province.

It's not anybody's private little group of auditors. If the government wants to have its own auditors, let it hire them. These people are everybody's provincial auditors: yours, mine, everybody's outside this place. If you allow the question of partisanship just because you're the government—and I'm not trying to con you, believe me—if you allow your party, because it is in government at the moment, to change the whole focus of this committee into one of strictly, "Muzzle the opposition; if anything gets close to being political, don't let them do it," you've established a precedent that did not exist certainly when Ed Philip was the Chairman. I can tell you that. He went into things like Elinor Caplan and her husband, which were really nobody's business, and we had a great Star Chamber inquiry in here about it. There was René Fontaine, and who else? There were several others. There was one of your colleagues?

Mr Tilson: No, we don't do that sort of thing.

Mr Callahan: No, one of your colleagues who got skewered.

Mr Tilson: No.

Mr Callahan: No, he got skewered. He got brought before the bar of the inquiry. I can tell you that there was no resistance, no trying to shut it down. We had a majority government. We didn't try to shut it down. We went along with it because it was in the interests of the people of this province. I'll tell you something: If you don't start doing that—and until the rules are changed or until the Legislature is reformed—and I take this Hansard—I'm not going to do it, but I might—and I mail it out to your constituents—now, that's not a threat. I may not do it, I'm not provocative enough to do it.

But somebody may mail it out to your constituents and they're going to read it and they're going to say: "Oh, my God. He's not even looking after the public purse. He's playing party politics with issues that are of some importance."

Let's face it: Sorbara, when he put these forward—they have got a bit of a political hook to them, but the very essence is that you can't sit there and just occupy the seat and be joined at the hip again. You are in a committee where you have the power to do some good for this province. You have the power to direct these gentlemen to go out and look at things that may be just borderline. It's going to offend Floyd or the Premier. So what? With all due respect to those gentlemen, what right do they have to conduct themselves—and I'm not suggesting they are—in a fashion that is using taxpayers' moneys perhaps inappropriately? I say perhaps. Maybe they'll come out of it squeaky clean. If they do, fine.

But I don't think it behooves any member of this Legislature, regardless of what party or whether you have the majority, to establish that principle whereby these people become the auditors of the government as opposed to the auditors of all the people's tax dollars in this province. It's a fine line, believe me.

Today, as I said, some of these might be a little fine-lined, and that was my first thought when I read them. But the fact is that once you're rejected them, you've put the imprimatur on it. You've said, "Well, it's fine for the Treasurer to use imaginative accounting and fool the people of the province by putting things in there." If that's what you're countenancing, then you're countenancing hoodwinking your electorate, the people who voted for you. They are starving to death out there on the streets and perhaps losing their homes, and you're here saying: "Well, we're not going to vote for anything that might embarrass the Treasurer. That's not important." Well, I suggest to you that it's extremely important, and I see no problem with that. I can't see why that would not be voted for.

The 1-800 number: What government has the right to put in a 1-800 number if it can't support it from a practical, rational basis, to be able to say that that money was well spent? If this 1-800 number worked and if it achieved the purpose and was done with sincere efforts and was done in a way that was to help the people, it will all come out. You people will get accolades. You will get bouquets thrown at you. But what about the guy at home who looks at this in

your riding and says: "Holy cow. They don't want to look at the 1-800 number. What happened with it? Maybe some of the statements by the opposition that it cost \$25 a call are true"? Do you want that? Do you want to be a party to that coverup? That is really what it is by voting as a majority and stifling us.

Why don't you get out and smell the roses? I'm serious. I really am. I haven't changed my spots from when I chaired this committee. I honestly believe that this is one of the few committees in this place that gives members the right and the obligation to try to do something for their constituents. And I'll tell you, it's one of the ones where you can really get burned if you don't, because as I say, someone, somehow—not through me, but somehow—this Hansard will get out to your constituents, and if they read it or if they're interested in reading it either now or before the next election, you're toast. You're toast, and rightfully so, because you've allowed your taxpayers to go unrepresented.

It's bad enough in the House. Until we change this place, in the House you have to stand up joined at the hip; you don't have to hear. But, you know, you might lose a perk. So what? You weren't elected here for perks. You were elected here to do a job for your constituents. Don't worry about it.

1150

I think Hansen—I think it's Hansen; I've got a lot of time for that guy—has a lot of guts. He stood up in the House and voted against his party. He lost his Chairman's job, but still, I have a lot of time for him. So please don't think that what's going on here is an effort to stick it to your party.

On the other side of the coin, please don't establish a principle that may very well fly in your face or in the face of your successors when you perhaps are in opposition. You're establishing a principle; think about it. Everything you do here has an effect down the line. As my colleague said, you in fact reduce that window of opportunity for members and that window of opportunity for democracy.

It blows my mind that you feel it is important enough that you've got to play politics here. I'll tell you that if you do, if you continue to do it, quite frankly—I can't speak for the other members of my caucus—I'm not going to come any more. There's no point. Let's shut it down. Let's save the money we'd have in sitting and let's just get on with doing something else. We're all busy. We don't have time to be here if it's the case that every time we come in here or the subcommittee looks at something and it's a little bit political you people are going to use your majority to put us under the heel. If that's the case, then I don't want any part of it. I've got better things to do. I don't need to come here.

I think you've made a mistake this time; I really do. I think you should have looked carefully at some of these. You'd get an opportunity to speak in favour or against to protect your party when it comes back from the auditor, but to me, to stifle it before it goes to the auditor smells of a coverup. It says to me that if you're not prepared to allow it to go forward and your political masters have told you it can't go forward, they're concerned because they're covering something up. That's what it says to me and

that's what it will say to every person who reads this Hansard. They're going to say: "There's my member. I elected him and her. You know, here it is. They're afraid. They're stifling it."

Well, for God's sake, you may not only not get re-elected; you may get run out of town on a rail. People out there are angry. Their dollars are important to them. These people here are good servants of the government. They do a good job in auditing and you're blocking them and you've blocked them now. Will you block them again? Can we ever expect that there'll be a further motion passed in this committee?

Maybe you guys should retire. There won't be any more work for you, because the government of the day has now decided that you shouldn't have any, so you could go and improve your golf game if you'd like. I don't even know why we're wasting your time being here. These people don't want you.

The Chair: On our list we have Mr Hayes and Miss Haeck, just to remind you.

Mr Callahan: I'll yield to Mr Hayes.

The Chair: Thank you, Mr Callahan. Mr Hayes followed by Ms Haeck.

Mr Sorbara: On a point of order, Mr Chair: It has to do with the ordering of this committee's business. Look, the government has decided what the business is. This committee has got to start meeting and doing its business. Might I just suggest that at this point now the government just identify through a motion the things it wants this committee to handle and vote them in, and then we'll get on with it?

Ms Haeck: We have a motion before us, actually, Mr Chair.

Mr Sorbara: I know, but you had a motion that we go through them one by one. I would—

Ms Haeck: Which I think you can handle, actually.

Mr Sorbara: My point is that if Ms Haeck could withdraw—

The Chair: Order, please.

Mr Sorbara: Sir, on my point of order—

The Chair: Yes, I understand your point of order. I believe it's a legitimate point of information. At the present time the committee is discussing a motion put forward by Ms Haeck that we go through the list I referred to this morning on an individual basis. We can do that or we can accept a suggestion made by Mr Sorbara that the government members just outline for the committee the items they wish to proceed and make that in one all-encompassing motion. We can do either one of those things. It's up to the committee. If the committee decides to do nothing, we're just going to continue with the order of business that's before us. Mr Hayes.

Mr Hayes: Mr Chair, if you don't mind.

The Chair: No, I don't mind at all.

Mr Hayes: I usually sit here very patiently and listen to members go on for great lengths of time, and I would like to have the opportunity just for a couple of minutes

here. I would suggest that possibly after that we'll return it to our whip and she can make the recommendations known in an appropriate motion.

Mr Sorbara: On a point of order, Mr Chair: I would point out that we only have a couple of more minutes this morning.

Mr Hayes: And that's all I'm going to take.

The Chair: Mr Hayes, you have the floor.

Mr Hayes: I will try to be more considerate than some other members who go on and on.

Mr Chair, between 1985 and 1987 I sat here on different committees and, yes, most of the time the committees have been very impartial. It's a good way of getting three parties together to do certain things and to agree. The one problem I do have, though, is that prior to Mr Sorbara coming in with all his motions, this committee had a list of items it was prepared to deal with. We have an individual who comes into this committee with his own little biased list and then he gets his nose out of joint because this committee doesn't automatically go along with this. I think I'll—

Interjection.

Mr Hayes: Excuse me. Let me finish, please.

Mr Callahan: On a point of order, Mr Chair.

The Chair: Order, please. Is there a point of order?

Mr Callahan: Yes, there is a point of order. The standing order is I think section 19—I can't remember exactly—it says one is not to impute motives to a member of the Legislature. I don't mean to interrupt you, Pat, but that's—

Interjection.

The Chair: Order, please. Mr Hayes, you have the floor.

Mr Hayes: Thank you, Mr Chair. I'm not sure about Mr Callahan's comments either. I'm just saying that I find it rather perturbing that you do come to these committees and sit here and try to do the right things and try to do them jointly and when an individual doesn't get their way—they come into this with their own list and then of course the rest of the committee doesn't agree with that particular list because we had other items we had prior to his list—

Mr Cordiano: Mr Chair, on a point of order again.

Mr Hayes: Mr Chair, I've sat here and sat here and listened to these people go on and on and on—

The Chair: Order. Mr Hayes, the Chair has no authority to disallow members to raise points of order. The Chair will rule on the points once they have been made. I understand your concern. Do we have a point of order, Mr Cordiano?

Mr Cordiano: Mr Hayes is again imputing motives of a member of this committee. I don't think he should be allowed to do that under our standing orders.

The Chair: Thank you, Mr Cordiano. I'm going to allow Mr Hayes to continue.

Mr Hayes: Thank you, Mr Chair. In the essence of saving time, what we've done here, if I'm correct with my mathematics, is that we had 13 items; two of those were agreed by the subcommittee to be withdrawn. That left 11. This committee, I believe, or our members, are willing to agree probably with about seven of those, and on top of

that we agreed to another area, the office of the registrar general. So for members to sit here and say we are trying to just ramrod things is totally wrong. I think we've been more than fair and members have had lots of opportunity in this committee to express their views, and they certainly have done that. I would like, with your indulgence, to pass to the whip of our committee. Thank you.

The Chair: I'm writing a list. Mr Hayes, thank you for your comments. Ms Haeck.

Ms Haeck: I'd just like to call the question.

The Chair: The question. Well, we already have a question on the floor and the question on the floor, if I can recollect it properly for the committee, is a motion by Ms Haeck that we deal with the list of possible areas of review on an individual basis. That was the motion on the floor.

Mr Callahan: Sorry. Which ones? The ones that were in Sorbara's motion or the ones on this sheet?

The Chair: If all members will look at this sheet, it's entitled "List of Possible Areas of Review." Ms Haeck made a motion that this committee review, by way of vote, if I understood her motion correctly, each individual item on this list in order to decide the agenda of the committee.

Mr Tilson: Mr Chairman, on a point of order. I've listened very carefully to the comments, particularly of the government and its actions this morning, and I consider them quite serious. I would like an opportunity to caucus this motion with members of my caucus and the ramifications that are stemming from their actions this morning.

The Chair: I'm sorry to cut you off, Mr Tilson. The committee's time has expired. The committee is adjourned until next Thursday.

The committee adjourned at 1201.

CONTENTS

Thursday 11 June 1992

Subcommittee report	P-45
Committee business	P-51

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- *Chair / Président: Mancini, Remo (Essex South/-Sud L)
- *Vice-Chair / Vice-Président: Cordiano, Joseph (Lawrence L)
- *Callahan, Robert V. (Brampton South/-Sud L)
Cousens, W. Donald (Markham PC)
- *Duignan, Noel (Halton North/-Nord ND)
- *Frankford, Robert (Scarborough East/-Est ND)
- *Haeck, Christel (St Catharines-Brock ND)
- *Hayes, Pat (Essex-Kent ND)
Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
- *O'Connor, Larry (Durham-York ND)
- *Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

Substitutions / Membres remplaçants:

Murdock, Sharon (Sudbury ND) for Mr Johnson

Also taking part / Autres participants et participantes:

Jim F. Otterman, Assistant Provincial Auditor

John Sciarra, administrative assistant to the Provincial Auditor

*In attendance / présents

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



P-7

P-7

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Thursday 18 June 1992

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Jeudi 18 juin 1992

Standing committee on public accounts

Committee business

Comité permanent des comptes publics

Traux de comité

Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel

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Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at (416) 325-7410 or 325-7411.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Renseignements sur l'index

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 18 June 1992

The committee met at 1145 in room 151.

After some time:

1151

COMMITTEE BUSINESS

The Chair (Mr Remo Mancini): The committee requested two further weeks for the purpose of reviewing the annual reports of the Provincial Auditor and the accounts of the province of Ontario. We requested the week of July 27 and the week of August 3. We chose those two weeks for obvious reasons. First, I assumed the Legislature would adjourn around the middle of July. That would give members one week in their constituencies before having to come back. Second, I wanted members to have some time in their constituencies before we commenced our work on August 24, so henceforth I decided the week of August 3. Those two are up for review here and I'm sure they're going to be up for review when the House leaders and the other people who are going to have a say on this forward to us their opinion. How does that sound?

Mr Larry O'Connor (Durham-York): I think part of the problem we're going to have with that is that the House leaders will sit down and get into discussion around what pieces of legislation they'd like to send out to committee, and we're not going to know whether we're going to be given that time until that goes to the House leaders for that discussion. So it might be a little bit premature of us. Although I see why the Chair wants to move that we put those two dates in, we may have some difficulty in getting those weeks from the Board of Internal Economy and the House leader's office.

The Acting Chair (Mr Robert V. Callahan): That very often can be the case, Mr O'Connor, that we'll request dates but we won't get them. I think if we can tentatively accept those and if we do in fact get permission back from the House leaders that we can sit, that will allow us to do it.

With regard to the other two, I don't know whether that's subject to House leader approval or not, the ones for interviewing the auditor and the final—that still has to be approved by the whips and House leaders. If we put them in as tentative dates, at least we can get on with our lives and think that's when we may meet. If it doesn't turn out to be the case, so be it. We're hamstrung.

I don't know what Mr Mancini was going to do, but I think the next thing we should do is to look at what we would do during that period if we get it. Those are the ones that are not for the hiring the auditor but for discussion. The Chair is open to suggestions as to what we would deal with during those two weeks that we've requested from the House leaders.

Mr Sorbara is not here, so I don't think we'll get back to—we do have a list, actually, from the last—

Ms Christel Haeck (St Catharines-Brock): If I could make just a point of information, I had put a motion on the floor last meeting about going through the list to approve or reject the various proposals. I think the sticky points are four items that had been proposed by Mr Sorbara. We could possibly just stack the votes and go through all that.

The Acting Chair: I have no difficulty with that. Mr Sorbara is not here, but could be here. I think, as a matter of courtesy, he should perhaps be here before—

Mr David Tilson (Dufferin-Peel): Mr Chair, just prior to the adjournment of the last meeting I did ask for a recess in order to caucus, among my party, the issues. I've now had a chance to do so. I'm sure Mr Cousens will have some comments specifically—I know Mr Cousens wants to speak on this—but as I understand it, the government members are essentially saying there will be only two issues of this list they will be prepared to deal with, one being the issue involving the auditor examining the registrar general and the other being the Office of the Ombudsman. Is my understanding correct? If I'm right, I know Mr Cousens will have some extensive thoughts to make.

The Acting Chair: Mrs Haeck, would you like to clarify that?

Ms Haeck: I believe the motion before us was originally to go through the list. We obviously have—at least I have—some arguments to make with regard to Mr Sorbara's submissions for consideration. I believe, from the list that was before us, that we in fact have a much longer list of items. If I may just quickly review, sections 3.9 through 3.15 as per our list were all basically agreed to, and the comment the subcommittee made when we met last week was that we didn't want to go into them in any great depth but we were prepared to consider them.

We are also doing the follow-up audit on the Toronto General Hospital; we're looking at the registrar general's office and the Office of the Ombudsman. We also have, shall we say, a joining of section 3.15 and the review of the Ontario Housing Corp, as suggested by Mr Sorbara, which was the last item on the list.

So the items of some contention are the accounting procedures, the 1-800 number, the Ministry of Health staffing, the Ministry of the Environment staffing. Mr Sorbara had in fact withdrawn the detail of Mr Layton's contract. So we do have a much broader list of things to work with than—at least, if my recollection serves me.

The Acting Chair: I'm going to go to Mr Cousens, unless you want to say more on that.

Mr Tilson: That is correct, although there is no question—of course, we've put the housing aside because the auditor is presenting something in due course. But as I understand it, the government members aren't prepared to discuss number 8, which is the accounting procedures used

in the 1992-93 budget, the use of the 1-800 numbers in the consultation process or the subject of staffing in the Ministry of Health and the Ministry of the Environment. Of course, the Ministry of the Environment is one issue which Mr Cousens, as our party's critic, has considerable concern about and I suspect that many of his thoughts will be directed to that, but I wanted to be clear that those items the government members aren't prepared to have this committee discuss. Mr Chair, through you to Ms Haeck, is that right?

Ms Haeck: I believe Mr O'Connor was quite articulate in his comments, and I believe he also sits on the estimates committee; his comments, I think, were quite appropriate that both the items on the Ministry of Health and the Ministry of the Environment really and truly are estimates items.

My personal comment would be that since Mr Sorbara and possibly Mr Cousens have some concerns with regard to what they see as staffing improprieties, if they have some evidence to that effect, then I think they have an obligation to report those problems directly to the Provincial Auditor, and that would be the appropriate route. Otherwise, this is strictly an item for estimates, and the estimates process is currently ongoing. In fact, the estimates process on the Ministry of Health quite recently was adjourned; obviously the opposition parties had the opportunity to question the minister and bring these kinds of issues to the fore.

1200

The Acting Chair: I'm going to ask the clerk, but I think the only way a member can have the auditor do an investigation is through this committee. I may be wrong. You can't individually ask him to do it?

Clerk of the Committee (Ms Tannis Manikel): The act says that a minister can ask for it, or this committee, or the Legislature, but not an individual member.

Ms Haeck: He could bring that information to his attention, I would suspect, without necessarily having an investigation.

The Acting Chair: If I'm correct in what the clerk has said, I don't think there's any statutory obligation on the part of the auditor to be triggered into an investigation of that type.

Ms Haeck: That may well be so. It's just that—

The Acting Chair: That's why I think the person can bring to this committee and the committee, after hearing it, could decide whether it wished to have the auditor deal with that.

Mr Tilson: Just on that point, it's my understanding that this would be put in the same category as the issue of the Office of the Ombudsman. I think all three parties are concerned with that. As to the government's comments that with respect to the Ministry of Health and the Ministry of the Environment on the whole subject of staffing it would more appropriately be done in estimates, it may well be, but once you ask the question, that's the end of it. If that committee decided it wished to make an investigation, who can make an investigation? That's why you have a public accounts committee.

The Acting Chair: I'm going to interrupt for just one second. This has been a rather unusual day, to say the least,

in light of the fact that the House will not be sitting for lack of a quorum. We are sitting, which we're entitled to do, but we normally sit from 10 to 12. We got started late. The clerk says I don't have to ask for unanimous consent, but I'm going to ask for it, that we sit until 1 o'clock, if that's appropriate, so we can maybe clear the decks here and get some of this stuff done. Is there unanimous consent that we sit until 1 o'clock?

Interjections: Agreed.

The Acting Chair: Go ahead, Mr Tilson.

Mr Tilson: Just to conclude, the whole purpose of the public accounts committee is to look into exactly what has been suggested by Mr Sorbara. The concern of both the Liberal members and the Conservative members of this committee is the whole subject of staffing in the Ministry of Health and in the Ministry of the Environment. We are also concerned with a full review of the Office of the Ombudsman, and the appropriate committee and the appropriate person to do that is the Provincial Auditor. If we feel there are difficulties in those—and we certainly do or we wouldn't be requesting it—the appropriate person to do that is the Provincial Auditor. I don't think an adequate investigation can be—I would hope that the government would reconsider its position on specifically those two items.

The Acting Chair: I'm going to go back and forth as I've done when I chaired the committee. Mr Cousens, I'm going to go to Mr O'Connor and then I'll go to you.

Mr O'Connor: I appreciate the fact that as a committee we've been able to come to an agreement to sit and continue with our discussions and hopefully come up with some agreement as to what we'd like to take a look at as a committee. I realize that at the last committee meeting we did go through this list quite well, but perhaps just to make the discussion a little more current, I want to go through a few of those things.

The top three were areas the auditor was going to review. Those were the nursing home services, the access to extended care beds and the home care assistance. That was an area I think a lot of us had some concerns about, and it was something this committee had agreed a year ago that it would like to take a look at if we had time. As we never had enough time because the committee had a full agenda, we never got to that point.

Another area the Provincial Auditor is taking a look at is waste management, hazardous waste. That's something the committee has agreed upon as something that actually is going to be looked at, and the auditor is reviewing it.

One other area the auditor is going to review is the Ontario Housing Corp. It's something I think the opposition members and the government agree needs to be looked at and, because there was nothing very current from the Provincial Auditor's report, it was something they were going to look at.

So those areas alone would constitute quite a heavy agenda, and perhaps in the fall we're going to take a look at some of that once the reviews are made.

Mr Tilson: Just to be fair, he's completed his report and has also indicated that that report will not be available

until November. So we're talking about items for the summer, and that's why we decided to set that one down.

Mr O'Connor: Exactly. That's why I pointed out that numbers 1, 2, 3, 4, 5 and 13 won't be able to be looked at. We can eliminate them because there is a review taking place by the Provincial Auditor. It's something we did have clarification on. So of the list of 14 things we have before us, we can eliminate 1 through 5 and number 13. The Provincial Auditor is taking a look at those, is going to do a review and bring back some information to the committee, so it's something we can't look at this summer. If we eliminate them, we could look at what we can take a look at this summer during the two-week period we're going to have.

The Acting Chair: Hopefully.

Mr O'Connor: Hopefully, if the Board of Internal Economy finds it in its purse that we'll be allowed to.

Polaris was one area that had some concern. I know my colleague from the Conservative caucus had some concern about that, and that was one area we'd dropped. So there is one more thing we can eliminate from our list of—

Interjection.

Mr O'Connor: Did you drop it?

Mr Tilson: We've dropped it for the moment.

The Acting Chair: My recollection was that it was dropped.

Mr O'Connor: It was a recommendation by the sub-committee that we drop that if it's the wish of the committee. It's not necessarily something we have to drop; it's something we can drop. Perhaps it's something we pick up again.

The Office of the Ombudsman: There were some recommendations by committee members that we take a look at that for a number of different reasons. Members of this committee also sit on the Ombudsman committee, and they had some concerns. I think most of us, as members of the Legislature—just noting the billboards all across the province, they do have an incredible advertising budget. The problem is that they're having difficulty getting things through that process, and when the people of Ontario have some complaints they want reviewed that's where the review is supposed to take place. So we'd be interested in taking a look at that; that's something probably all of us would agree on.

The next item was introduced as a motion by Greg Sorbara, a review of the Treasurer's accounting for the budget for the 1992-93 fiscal year. There were a number of areas they'd pointed out concerns about and what not. I think we would have difficulty in finding out whether the auditor could actually pass judgement on whether or not the Treasurer has used some practices that are inappropriate. My feeling on that issue, as I pointed out last time this committee sat, was that the budget process is a process that is reviewed in many different ways. The first step of the process was through the standing committee on finance and economic affairs—

The Acting Chair: I don't think it's the process, Mr O'Connor. My recollection is that it was the procedure. I'm inclined to agree with you that for the auditor to comment

on that would be really commenting on policy, which I don't really think a civil servant should do. But I would think they could certainly comment on whether that fits into the normal accounting procedure.

1210

Mr O'Connor: My thought around that was that we're going to be asking the auditor to comment and pass a judgement on the policy and practices of the current Treasurer.

The Acting Chair: I don't think we can do that. I don't think it would be appropriate to ask any civil servant to do that.

Mr O'Connor: That's the concern I have around it.

The next one we have is the use of government services, the 1-800 number. It's a new practice. There were 13 numbers put out in the consultation lines. It was one thing raised in many public meetings throughout the riding as a way of trying to open up the process to let people get more information. Perhaps that would come back, because now that they have more information, they're going to say that we're not doing things right or whatever. But I think we do have to try to open up the process.

In taking a look at that motion as it was laid out, though, I would almost suggest that perhaps the Chair would want to rule that out of order, because this is a political decision made by the government of the day. The system, being something of policy, I would think couldn't be judged. It's a policy matter and it's something we shouldn't be taking a look at. I would almost suggest that the Chair should be ruling it out of order. It certainly is an interesting area. As more people find out about this process, I think it's one area more people are going to be calling about. We're hearing more even about these ad campaigns on television, people buying and receiving packaging that tells them, "For the service department, call 1-800."

The Acting Chair: Were you asking me to rule on whether that's in order?

Mr O'Connor: My thought was that it was out of order and perhaps you might want to take a look at that and rule. My sense in taking a look at that is that it's out of order because it's an area dealing with policy.

The Acting Chair: In the part that's policy, I agree with you. But it's not all policy. Some of it is asking for dollars and cents, which is certainly the issue public accounts should be involved with.

We'll get to you, Mr Cousens. Mr O'Connor still has the floor. Don't leave.

Mr W. Donald Cousens (Markham): This is going on and on. I've got to leave.

The Acting Chair: Just a second, Mr Cousens, come back. Mr O'Connor, would you yield the floor?

Mr O'Connor: Most definitely.

Mr Cousens: As it's going on now, there's a serious concern of the opposition that issues of importance to us are not able to be considered through the public accounts process. These issues have enough importance that certain honourable members have brought forward recommendations

which, with the majority of the New Democrats, will not end up having full debate or discussion.

May I suggest a compromise in how we can go about it? The subcommittee could meet between now and next week, with each caucus coming forward with their first, second and third choice of issues, and the subcommittee can then allow for possibly three issues to be put on and determine the time that's going to be allocated to each of those three issues, then the remainder of the time could be split up accordingly, unless all of it could be used. So each of the caucuses will have a chance to make its presentation.

My second point, which ties into that, is that when people say, "I want to know specifically what you're interested in in the environment," with issue 12 you're talking about the Ministry of the Environment staffing, which is no different from the Office of the Ombudsman, where there are issues and concerns.

That's the value of having debate and review of these things. The public accounts committee is the forum for that kind of discussion, as Mr Tilson has so ably presented. If the committee were to consider this as an approach, we might get ourselves out of this impasse. Otherwise, I fear the committee will be fully stymied and may not even have a chance to review any of the issues.

The Acting Chair: My recollection was that the report of the subcommittee was voted on and was defeated at our last sitting or the sitting before that. It was then moved that we go through the items line by line, and that's where we're at now.

Mr Cousens: I'm trying to get us back into a process, since this isn't working; that there be at least one from each of the caucuses. That's really the substance of it.

The Acting Chair: I certainly would have no objection to that, except that, in light of what has happened with the total report being voted against, I'm wondering if that's not a waste of time. I don't know. Do any committee members think that's a worthwhile process, rather than sitting here and debating endlessly? Mr Tilson, very briefly; Mr O'Connor had waived the floor.

Mr Tilson: Until the last few meetings at least, I believe with great pride that there hasn't been much partisan politics on this committee. Since the—to be perfectly frank—war has developed over the rules in the House and the opposition and the government members are going at each others' throats, in my observation it seems to be falling into this committee.

Sure, you people—when I say "you people," I mean the government members—can do anything you like, as you can in any committee. The whole issue is one of fairness. I hope this committee continues its non-partisan views. You can never get completely non-partisan views, but generally speaking it has worked pretty well until recently.

I think Mr Cousens's proposal, or something similar to that, that all three caucuses put forward a topic or topics is a reasonable proposal. I think Mr Cousens has offered to the government a means of being reasonable in this process. I am only speaking as a committee member, that I support Mr Cousens's effort to get out of this mess we're in in the House, at least as far as this committee is concerned.

The Acting Chair: I'm going to go back to Mr O'Connor. Do committee members want a few minutes to caucus on that and decide whether that's a reasonable approach, or is there any point? Your colleague, Mrs Haeck, is the whip on the committee, so maybe—

Ms Haeck: We have been pirouetting around this now for a couple of weeks. I personally cannot recommend the kind of solution Mr Cousens is proposing. I have found in reviewing Mr Sorbara's motions that there are some very clear reasons, some of which Mr O'Connor has gone through again and commented on, why I personally can't support it.

I've looked at what we as a committee have to do, and there are a lot of things the auditor has flagged for us and things we can be doing. I suggest, however, that whatever impasses have occurred within this committee occurred before the rule changes were ever even suggested. I think the partisanship was flagged several weeks ago. Some individuals have felt that lectures are the appropriate method for conducting business here. I think we do have work to do. There's no reason not to move ahead with a whole range of items that are not as inappropriate as those suggested by Mr Sorbara. So my caucus will be voting no.

The Acting Chair: Could I just ask one question in light of that? Otherwise, we're going to have a vote here and then we're gone and we've really not accomplished anything. I'm not the Chair, but if—

Ms Haeck: But you're the Vice-Chair at present.

The Acting Chair: If the Chair were to sit with the committee on the understanding that Mr Sorbara's motions would be gone through very closely to determine where he is talking about policy and where he's talking about numbers—which is really the auditor's job—and perhaps some of that was removed so that it doesn't become what might be called a hook, would you be prepared to look at it? I can understand why you're saying no, but if there are numbers in there that are important and that are not going to be just an exercise in politics, then perhaps we can deal with it.

Ms Haeck: Mr Callahan, I respect you and I respect a number of the members of this committee. We've worked together very well. I appreciate what you're saying. I think you have to appreciate where I'm coming from.

The Acting Chair: I do.

Ms Haeck: I can't support it.

The Acting Chair: All right. Mr O'Connor.

1220

Mr O'Connor: As I was going through and speaking to them in order of the list we had before us, I talked about a number of these motions and I tried to relate how they would be more appropriately handled by other committees.

I would not recommend to anybody that we limit debate or try to stymie the role of the opposition. In fact, I try to be as helpful as I can to this committee because I sit on the standing committee on estimates and a number of issues that have been raised are more appropriately raised through the estimates committee. Some of the other areas that I pointed out perhaps could be better dealt with through the standing committee on finance and economics.

So, trying to be as helpful as I can, I'm not trying to limit the debate around any of the issues before us. I think there were a number of areas we can find agreement on. Some of the things on our list come from other members. We have a number of motions that have been put before the committee by one of our colleagues, one of the new members to the committee. I was trying to point out where some of those motions could be dealt with in a more appropriate fashion.

We can't change the motion. The motions before us either have to be accepted or voted down one way or the other. Without the mover of those motions here, I don't think we can actually look at them and have them rewritten. Perhaps if they are voted down they could be reviewed and then come back in the form of a new motion. Maybe that's what has to take place.

I think we have been at an impasse. There's no doubt about it. The committee has sat for quite a while trying to come up with an agenda. I think the motion before the committee—raised by Ms Haeck around a number of these issues—that we go through them one at a time and vote on them is perhaps appropriate. Perhaps what ends up before us again are further motions by our colleague that if these motions don't stand, he would then take the advice the Chair has offered today. Since they could be appropriately handled from other committees, perhaps he would like to reconsider the way they're worded and then bring them back to the committee.

As I pointed out, some of them are areas of policy and not appropriate for the Provincial Auditor to look at. Some of them should be dealt with through finance and economics and some through estimates. Some of these motions have shown in estimates and are getting responded to by the appropriate ministry. I'm referring to the ones from the Ministry of Health.

The Acting Chair: We've been trying to reach Mr Sorbara but we can't. I'll continue to have the clerk do that until the vote is taken to see—Mr Bisson?

Mr Gilles Bisson (Cochrane South): No, it's okay. My question has been answered.

Ms Haeck: I think we've all said our piece on this and I'd like to vote on it.

The Acting Chair: Any further questions or comments from members of committee?

Mr Bisson: The question has been put.

The Acting Chair: The motion has been put, but I still think that until we change the rules I, as Chairman, must protect the interest of the minority and I think I have to give Mr Tilson an opportunity to speak.

Mr Bisson: The question has been put. I move that we move to the question.

The Acting Chair: That's in fact a motion of closure.

Mr Bisson: The standing orders say that once the motion is on the floor we must vote on it. Am I correct?

The Acting Chair: In fact, the nature of it is a motion of closure.

Mr Bisson: Is my interpretation of the rules correct? I ask the clerk.

The Acting Chair: Let me just have a second. We'll take a five-minute adjournment. I'd like to—

Mr Bisson: Just hang on. I need an interpretation of the rules. The rules are fairly clear. Once the motion is on the floor, the question must be put, am I correct?

The Acting Chair: Just a second, Mr Bisson.

Mr Bisson: No, am I correct?

The Acting Chair: I don't know. I've told you my view, that it's a closure motion. The rules—

Interjection.

The Acting Chair: Just a second; let me say what I'm going to say. It's a closure motion. The rules, as I understand them, say—at least now they do; whether that will change or not, I don't know—that the Chair, the Speaker or the Deputy Speaker has an obligation to ensure that there has been sufficient debate by the minority, which in this case is the opposition.

Interjection.

The Acting Chair: Just hang on a second. Rather than make that decision off the top of my head, I've asked the clerk to check it, and that's why I'm asking that we adjourn for five minutes to allow me to have the clerk check whether I'm right or wrong. If I'm wrong, then I will give you the decision the clerk's office tells me is appropriate.

Mr Bisson: It's been the practice on every other committee I've sat on that once a question has been put to a committee, it comes to a vote.

The Acting Chair: That's why you get a little extra, although I know—

Mr Bisson: With respect to the Chair, that's why we have standing orders.

The Acting Chair: Well, that's right, but that's also why you have a chairman, Mr Bisson, to make decisions as to whether or not the rules have been applied properly. You certainly wouldn't want me to not inquire with the clerk, who is in fact the person who advises what the appropriate rulings are. The people out there may think we've got all these answers off the top of our heads; we don't. The Speaker even confers with the table to find out these things. We may have found out we don't need the five minutes while we were talking.

I report to you that I was right. We've just checked with Deborah Deller and she tells me it is in the discretion of the Chair that it is a closure motion. It is to the discretion of the Chair to determine whether or not there has been sufficient debate, and accordingly I don't feel there has.

Mr Bisson: On a point of order, Mr Chair: because it's my motion at this point. There have been two weeks of debate on this motion.

Mr Tilson: On a point of order, Mr Chair: That's not correct. There have not been two weeks of debate on this motion.

The Acting Chair: Let me intervene. Under the standing orders, I've made my decision. There is no debate of the decision of the Chairman, and I'm sorry, that's where it's at.

Mr Tilson, I'm going to take you, and then we will deal with the motion.

Mr Tilson: I think the proposals that have been put forward by Mr Cousens are reasonable. The government members for some reason seem to be averse to having the Provincial Auditor look at the staffing in the Ministry of Health and the staffing in the Ministry of the Environment, and yet they—and I say “they,” the members of the government—are not averse to looking at a full review of the Office of the Ombudsman. The same criticisms that have been coming out of the Office of the Ombudsman have been made—at least by the members of the opposition; not necessarily the government—with respect to the Ministry of Health and the Ministry of the Environment.

If you look at Mr Sorbara's motions—and they don't apply, but I use that as a guide, as the intent as to why these were put forward, because we do have a different motion on the floor; we have a completely different motion on the floor as to the one that was defeated—I ask the government members to look at the wording of Mr Sorbara's rationale, specifically with respect to the office of the Minister of Health and the office of the Minister of the Environment.

One could replace the Minister of Health with the Office of the Ombudsman as to the items he is recommending. It's a perfectly reasonable request; just take it one by one. I'm going to zero in specifically on these two items. My friend may wish to speak on some of the other items, but the two that interest me the greatest at this particular point are those two items, because I think it's perfectly reasonable.

Is there a policy? We have discussed this in the past. We don't even know what the policy is with respect to the staffing in these ministers' offices. It's a perfectly reasonable question to ask. If there isn't a policy, why isn't there a policy? If there is a policy, has this policy been followed?

The greatest expense and the greatest amount of tax dollars that are being spent in Ontario is in the Ministry of Health. We're spending, as Ms Haack has quite rightfully pointed out, a considerable period of time and will spend a considerable period of time on the Toronto Hospital issue, and we may have the Minister of Health back; I'm sure we will. We'll have the Minister of Health back, and I'm sure we'll have the officials back from the Toronto Hospital, because the whole subject of health is a grave concern.

1230

I ask the members if they have the sheets Mr Sorbara has prepared. If you look at his rationale, it's quite reasonable. The number of individuals on the minister's payroll and seconded to the minister's staff—this is with respect to the Ministry of Health—and the salary ranges: All of these items can quite rightfully be put with respect to the Ombudsman. So the rationale the government's putting forward doesn't jibe.

If you can deal with the Office of the Ombudsman, there's nothing wrong with dealing with these other items, which are of great concern to all of us. The tax dollars that are being spent in the Ministry of Health—we have to cut this one third—who knows what it's up to now. It was \$17 billion; I don't know what it's up to now.

Third, the job descriptions for each position associated with the minister's office's operation: a very reasonable request. Are we getting out of control; is there a policy on job descriptions and is it being followed if there is; any redundancies that exist between positions in the minister's office and the bureaucracy of the Ministry of Health; and finally, the terms and conditions of employment for all staff members, seconded persons and consultants retained by the minister's office in the Ministry of Health.

This standing committee on public accounts is set up to look at the spending of tax dollars in this province, and one of our greatest fears is that health has got out of control. All members of this committee are interested in the subject of the expenditures of hospitals. We've already spent some time, we're going to spend some more time, and these carry on. At the very least, if we're going to follow the rationale of looking at the subject of health, which the government members have agreed to—it's fine to take shots at the hospitals. It's fine to say that the health expenses in this province are being caused by the hospitals. I believe the whole system needs to be looked at. I don't think it's just the hospitals. I think we need to look at everything. We need to look at the policies the Ministry of Health has. Mr Sorbara is right on as far as this issue is concerned.

It's all there for you to read, subject to the Minister of the Environment, unless other members wish to follow along or pursue that. The same rationale applies. What's good for the Ombudsman should be good for the Ministry of Health and should be good for the Ministry of the Environment. Environment is an issue that is all very dear to us in all of our ridings, particularly recently, on all sides of the House. I think we need to look at the budget and the whole expense and whether proper policies exist in the Ministry of the Environment and whether they're being followed.

To sum up, specifically with the request of Mr Sorbara on the Ministry of Health, if you're going to look at Toronto Hospital, if you're going to pick on those people—and I don't intend to just pick on those people. It's really an improper word to use. If we're going to examine the very serious allegations being made with respect to the Toronto Hospital—and we're going to have the Toronto Hospital people come and defend themselves, because those allegations may be completely ill-founded—we should also be looking at the Ministry of Health. I'm sure that's why Mr Sorbara has raised those very excellent points.

I would ask the members of the government to reconsider at the very least Mr Sorbara's comments with respect to examining the staffing in the Ministry of Health.

The Acting Chair: I'm going to call on Mr Bisson because he has called the question. I wish we had gone through these individually, because I think we have to get back to the situation of this committee being non-partisan. If it's not, we're not going to function. The government has a majority and it will be able to do what it wishes.

When you talk about the Ombudsman being placed in the same place as the Minister of the Environment or the Minister of Health, that's not really totally correct. I'm sure you hadn't given this thought, that the Ombudsman is not a political person, and so there is a difference. I think maybe if we had opted for Mr Cousens—although it's

gone by the board to sort of go back and rewrite these—we maybe could get back to a position where we wouldn't have to do this.

In any event, Mr Bisson, are you calling the question?

Mr Bisson: Yes, I am.

The Acting Chair: The motion is that the committee vote on each item listed for review by the subcommittee individually. You've got them in front of you and we'll call the vote on each one individually.

Clerk of the Committee: First of all, we have to vote on this motion.

The Acting Chair: All right. I'm told we have to vote on that motion first. Those in favour of the motion?

Mr Tilson: Recorded vote.

Interjections.

The Acting Chair: No, you've put the question. The question has been put and it's that we consider a vote on each of the items listed in the subcommittee's report. A recorded vote.

The committee divided on Ms Haeck's motion to vote on each item individually, which was agreed to on the following vote:

Ayes—6

Bisson, Haeck, Hayes, Huget, Martin, O'Connor.

Nays—2

Eddy, Tilson.

The Acting Chair: We'll go to item 1 then.

Mr Tilson: On a point of order, Mr Chairman: We've heard some comments from all sides on this throughout. If we're going to vote on each individual item, are you giving us an opportunity to debate each individual item as to whether we should be supporting or opposing those individual items?

The Acting Chair: I think we have already debated it. All we're really doing now is voting on individual items. I think that is quite correct. I think the vote is—

Mr Tilson: If I could just make a few comments, by way of a point of order, specifically I can say that the members of our caucus looked at the package that was put forward by the majority of the subcommittee and we voted on that as a package. There's a little bit of give and take. For example, I can tell you I'm a strong supporter of the Provincial Auditor looking into the Polaris—

Ms Haeck: On a point of order, Mr Chair.

Mr Tilson: Could I just finish my point of order, Mr Chair?

The Acting Chair: All right. I'm not sure it's a point of order, but I'll listen a little bit longer and then I'm going to tell you.

Mr Tilson: I'm simply saying that we on this side at least, and I think the Liberal caucus is the same, voted on that as a package. There was a little bit of give and take. To be fair, I don't believe there has been adequate debate on some of the individual topics because of our position on that motion—

The Acting Chair: There is one on the floor.

Mr Tilson: —which was a package type of vote.

The Acting Chair: Mrs Haeck, your point of order.

Ms Haeck: I fully appreciate what Mr Tilson is saying, and I understand your position as Chair, but I think the record will really very clearly reflect that some of the comments Mr Tilson is making he made within the last half-hour, as did Mr Cousens. I really feel that the kind of discussion he is alluding to in fact has taken place over the last three weeks and that we can very quickly move to a vote and clear up any concern about the direction the committee is taking.

The Acting Chair: I have to say, with respect, that I don't think either one of them is a point of order. I think we'll move on with the vote.

The first one we're dealing with is 3.9, nursing home service, 1990 annual report. A recorded vote as well? Those in favour? Opposed? Carried. Do you want a recorded—

Mr Tilson: I can tell you some of the items I want a recorded vote on.

The Acting Chair: So you'll call for it if you want it? Okay.

Section 3.10, access to extended care beds, 1990 annual report. Agreed? Carried.

Home care assistance, 1990 annual report. Agreed? Carried.

Waste management, 1991 annual report. Agreed? Carried.

Government-owned housing, 1991 annual report. Agreed? Carried.

The Polaris project is out. We'll deal with it anyway. Polaris project?

Ms Haeck: We agree, if Mr Tilson—

Mr Tilson: It's been agreed.

1240

The Acting Chair: That has actually been dealt with.

Mr Tilson: Take it off for the moment, Mr Chair.

The Acting Chair: Office of the Ombudsman.

Interjections: Agreed.

The Acting Chair: Carried. Accounting procedures used in 1992-93 budget.

Mr Tilson: I believe we should have a recorded vote on this item.

The Acting Chair: All right.

The committee divided on item 8, which was negatived on the following vote:

Ayes—2

Eddy, Tilson.

Nays—6

Bisson, Haeck, Hayes, Huget, Martin, O'Connor.

The Acting Chair: The next one is Ministry of Government Services—Use of 1-800 numbers in consultation process.

Mr Tilson: A recorded vote, Mr Chairman.

The committee divided on item 9, which was negatived on the same vote.

The Acting Chair: Details of contract with Jack Layton.

Mr Tilson: That was withdrawn.

The Acting Chair: Okay. Ministry of Health—staffing in minister's office.

Mr Tilson: A recorded vote on that one.

The committee divided on item 11, which was negatived on the same vote.

The Acting Chair: The next item is Ministry of the Environment—staffing in minister's office. Are you asking for a recorded vote?

Mr Tilson: Yes, Mr Chairman.

The committee divided on item 12, which was negatived on the same vote.

The Acting Chair: Review of Ontario Housing Corp—"deep needs."

Interjections: Agreed.

The Acting Chair: Agreed? All right. Review of the office of the registrar general.

Interjections: Agreed.

The Acting Chair: Okay. The clerk indicates that we should have a motion as to what order we will take these in. Shall we refer that to a subcommittee?

Ms Haeck: In following up on your suggestion, which I think is a good one, I would suggest that in cooperation with the standing committee on the Ombudsman, we do item 7, and I think we're all concerned about item 14. Those would be the two that I would suggest. If given the opportunity to review them over the summer, those would be, I think, priorities our committee could suggest.

The Acting Chair: The clerk has reminded me that apparently the auditor has indicated he couldn't do a review of the office of the registrar general until September. Next week we will deal with the motion to refer that to the auditor for consideration in September. In light of that, Mrs Haeck, would you like to add something else to it? If we get two weeks, it might be a little—

Ms Haeck: I think we're all interested in housing, so that might be—

The Acting Chair: The "deep needs"?

Ms Haeck: Yes.

The Acting Chair: The clerk advises me that on the matter of review of Ontario Housing Corp "deep needs," that would be another matter that we have yet to refer to the auditor. He would have to deal with it and then it would be dealt with in his next report, which would again take us out of the summer.

Clerk of the Committee: That's not quite right.

Mr Tilson: If I could speak to that—

The Acting Chair: Just a second. Is that not right? I've misinterpreted what the clerk said.

Mr Tilson: Yes. The auditor has spoken on that actually.

The Acting Chair: I'm told there could be a special report and we could deal with that during the summer.

Interjection.

The Acting Chair: The auditor says he doesn't have the staff or the time.

Mr Tilson: As I understand it, the auditor was quite clear that he has indeed done a report. It has been completed but it will not be available until November. That's my understanding on this subject. That's my recollection as to what the auditor has said. You can put it on a list, but I don't think we'll be able to discuss it. That's the sad part of it, because the office of the registrar general is going to be studying matters in Thunder Bay. The auditor has made it quite clear he can't provide a report for us on that until the fall, so that leaves only one topic to go over a period of two weeks that this committee has now agreed to. How in the world we're going spend two weeks on the Office of the Ombudsman—it is really a sad state of affairs if that's all this committee can come up with.

We're blowing in the wind if we start talking about waste management. We know there's an audit being done there. As to the review of the Ontario Housing Corp, the auditor has spoken on that, and nothing will be available until the fall. So to set things up on these other topics for July 27 and August 3, we're just wasting our time. We might as well go to the Board of Internal Economy and say we need only a few days.

Ms Haeck: I suspect, Mr Tilson, and I think if you check with your caucus colleagues with regard to the Office of the Ombudsman, there's a lot more there than you assume.

Mr O'Connor: When we did have the auditor come to this committee the last time we sat, there were a number of areas he had under review. The first three were areas that he said there was no way he would be able to deal with until the fall, as well as the Ontario Housing Corp's "deep needs." It seems to me there was a review taking place on waste management, but it was something that we could probably deal with, though he did say there was a review. I think that was something we might be able to look at as well.

Mr Tilson: It's in the process of being done. A lot of it is in the process of being done, but I think he made it quite clear that wouldn't be available for the summer as well.

Ms Haeck: Mr Cousens had brought forward the idea of the Ontario Waste Management Corp chair. That was something that was definitely reflected in his last report. I know Don was very concerned about that and had brought it forward at subcommittee some time ago.

Mr Tilson: If I've misinterpreted what the auditor said, I'll be the first to apologize, but that was my understanding.

Ms Haeck: There was a larger issue of waste management, but there was a specificity to what Mr Cousens had put forward, and I definitely know I was in agreement with it because obviously it's very much a local issue and of great interest to a lot of constituents in the Niagara Peninsula. I would be very anxious to personally look at that.

Mr Tilson: I have no problem with that. Obviously we can't make a decision without consulting with the auditor.

The Acting Chair: So what is our motion then?

Interjections.

The Acting Chair: The auditor will be here next week in the hope that we will—I think we can still sit. Even if the business of the House should be to cancel private members' hour and run it as a straight 10 to whatever hour for government business, we would still be able to sit because the House is in session.

Mr Tilson: I admire your expectations, Mr Chairman. This place seems to change from minute to minute.

The Acting Chair: That's true.

Mr Tilson: We'll wait and see.

The Acting Chair: It's flexibility. Do you want to put forward another item or do you want to ask the auditor where he's at with these things?

Mr Tilson: Ms Haeck is correct. I appreciate that the Office of the Ombudsman may take some time, but I don't think it will take two full weeks. I could be wrong. I would therefore reopen the subject since we didn't hear any strong opposition, at least to the whole subject of Polaris. We have spent some time questioning the Ministry of Consumer and Commercial Relations, but there are a whole slew of other areas we could get into.

The Acting Chair: I'm sorry, Mr Tilson, by unanimous consent we've just agreed that Polaris had been dealt with, so I don't know how we—

Mr Tilson: I'm saying we only have one item left on the table and I'm therefore suggesting that perhaps we should bring some other items back. I can't believe we need two weeks to discuss the Ombudsman.

Mr Pat Hayes (Essex-Kent): I know we want to sit here and try to set the priorities on which ones we can do, but I think it'd be most appropriate if we had the auditor come to the meeting next week and let the auditor decide, or at least make recommendations and let this committee know what he feels he can handle and which ones he can do first.

If you want, I'll make a motion to that effect. I don't know if it's necessary, but I think the appropriate thing to do would be to have the auditor—because we're sitting here saying, "The auditor doesn't know whether he could do this one or that one." I think we could go by the auditor's recommendations.

The Acting Chair: Let's at least clear one thing off the board. We've agreed on number 7. Let's vote on number 7 and next week when we speak to the auditor we can decide what other item we're going to deal with. Is that agreeable?

Mr Tilson: Mr Chairman, could I ask one question? Looking at the top, what do we have on our plate now? Has this committee made any decisions with respect to inviting

members of the Toronto Hospital or members of the Ministry of Health back to discuss that subject? Have we?

Mr Hayes: Yes.

Mr Tilson: We have a date set?

Mr O'Connor: No. The auditor's going to go in there. He won't be able to report back until—

Mr Tilson: He won't be able to do it until the fall?

The Acting Chair: We're waiting for his report.

Mr Tilson: Thank you.

The Acting Chair: All right. Are we in agreement on number 7 being at least one of the items, if not the only one. If that turns out to be the only item we can do. Agreed? Agreed.

All right. I think we've done about as much as we can do for today.

Mr Tilson: I hope members of the committee will go away and come back next week with some other topics, because I really think it's incumbent upon us to look at matters other than the Office of the Ombudsman. We have time in the summer. We have two full weeks in the summer, Mr Chairman, and I think there's lots of work we can do other than just that.

The Acting Chair: We have been productive today, if no one else has.

Mr Hayes: On a point of order, Mr Chairman: Mr Tilson sits here and makes little accusations. What we did here, Mr Chair, was to decide that would be the first one we wanted reviewed and we have not said that's the only one we want done.

Mr Tilson: You put closure on us.

Mr Hayes: No, we didn't do that at all. We've given you lots of opportunity to speak.

Mr Tilson: You closed us down.

Mr Hayes: All I'm saying—and I think if Mr Tilson was listening, we said we'll have the auditor come back next week and make some recommendations and guide this committee on which ones we would deal with. No member is going out of this room saying this committee is only going to deal with one agency. That's really not the way it is.

The Acting Chair: I think we have to get back to being prepared to discuss items even though they affect whatever party. That's the purpose of this committee and we'd better get it back on the rails or we may become redundant. In any event, thank you very much for sticking around. We stand adjourned until next Thursday at 10 o'clock.

The committee adjourned at 1254.

CONTENTS

Thursday 18 June 1992

Committee business P-61

STANDING COMMITTEE ON PUBLIC ACCOUNTS

***Chair / Président:** Mancini, Remo (Essex South/-Sud L)

Vice-Chair / Vice-Président: Cordiano, Joseph (Lawrence L)

*Callahan, Robert V. (Brampton South/-Sud L)

*Cousens, W. Donald (Markham PC)

Duignan, Noel (Halton North/-Nord ND)

Frankford, Robert (Scarborough East/-Est ND)

*Haeck, Christel (St Catharines-Brock ND)

*Hayes, Pat (Essex-Kent ND)

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)

*O'Connor, Larry (Durham-York ND)

Sorbara, Gregory S. (York Centre L)

*Tilson, David (Dufferin-Peel PC)

Substitutions / Membres remplaçants:

*Bisson, Gilles (Cochrane South/-Sud ND) for Mr Johnson

*Eddy, Ron (Brant-Haldimand L) for Mr Cordiano

*Huget, Bob (Sarnia ND) for Mr Duignan

*Martin, Tony (Sault Ste Marie ND) for Mr Frankford

Also taking part / Autres participants et participantes:

Owens, Stephen (Scarborough Centre ND)

Wiseman, Jim (Durham West/-Ouest ND)

*In attendance / présents

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service

CA 21
- P72



P-8

P-8

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Legislative Assembly of Ontario

Second session, 35th Parliament

Official Report of Debates (Hansard)

Thursday 25 June 1992

Standing committee on public accounts

Committee business

Assemblée législative de l'Ontario

Deuxième session, 35^e législature

Journal des débats (Hansard)

Jeudi 25 juin 1992

Comité permanent des comptes publics

Traux de comité



Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at (416) 325-7410 or 325-7411.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 25 June 1992

The committee met at 1011 in room 151.

COMMITTEE BUSINESS

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order.

Members have received an agenda for today's business: (1) Motion re audit of the Office of the Ombudsman; (2) Motion re audit of Ontario Housing Corp; (3) Motion re audit of the office of the registrar general."

My understanding is that these motions were discussed at the last meeting of the committee. Unfortunately I had to leave partway through, so I'm not sure where members of the committee left their wishes. Is it the preference of the committee that someone move these motions and we have discussion and then a vote on them or is there any other way you wish to proceed?

Mr Larry O'Connor (Durham-York): Actually, I believe we did discuss these, and as part of the motion we dealt with them and had voted on them.

The Chair: They've all been accepted? I'm told they haven't been voted on. So why don't we just go through the process.

Mr Michael A. Brown (Algoma-Manitoulin): Can we have a clarification of what's happening?

The Chair: The clerk informs me that motions were not made to accept these individual items. So what I suggested was that we make motions on the three items that are on the agenda for this morning and then have discussion and then have a vote, as is normal procedure. Then, of course, members could add items under new business if they wish, if there's anything further for us to discuss. I have a couple of other small things I'm going to bring to the committee's attention as we wind down our meeting.

Mr O'Connor: I move that the standing committee on public accounts requests that, under section 17 of the Audit Act, the Provincial Auditor perform a value-for-money audit on the Office of the Ombudsman.

Would you like me to move all three of them or should we have discussion after each?

Mr W. Donald Cousens (Markham): I think one at a time.

The Chair: I think it's easier to do it one at a time. I appreciate Mr O'Connor moving the motion. Mr O'Connor, do you want to start the discussion, then Ms Poole.

Mr O'Connor: This is one area that is actually new to me. I know we've had some discussion with my colleagues from all sides of the House with concerns around the length of time it takes for a complaint to go through the Office of the Ombudsman, as well as a huge advertising campaign that seems to be attracting business when they can't even perform the job they've got laid out before them. So I think this would be an interesting area for the

Provincial Auditor to take a look at and one that would be useful to all members of the Legislature.

Ms Dianne Poole (Eglinton): I would certainly be very supportive of this motion for the reasons Mr O'Connor has just stated. I have one suggested amendment to the motion, though. I would like to add the words—and I haven't written these out, but it's not very extensive—"within this fiscal year." I know we cannot determine the auditor's timetable; however, if you look at the particular situation of the Office of the Ombudsman, the first point I would make is that this is a request to the Provincial Auditor, and if he indeed cannot meet this timetable then obviously he would do it as soon as possible.

The Office of the Ombudsman has been under a lot of controversy over the last year, and the last six months in particular. As Mr O'Connor mentioned, they have engaged in a massive advertising campaign which some members have expressed is for the intention of building up business so they can keep the fairly substantial staff they retain to deal with the backlog. In other words, they're trying to create work for themselves.

I, of course, had a problem not only with the amount spent on the campaign, but with the actual content of the campaign and that it inferred that the Office of the Ombudsman was able to do something it is not, which is to do the job of the MPP and to look at the first level of problem-solving.

I am very supportive of ensuring that this audit is done as expeditiously as possible and that the auditor is free to determine his own agenda; I suppose I should say his or her own agenda as we don't know the gender of the new Provincial Auditor to be chosen. I think it would indicate to the auditor that the public accounts committee considers this to be of some importance and of some priority.

I would be in your hands if you would like me to make a formal motion in that regard, or I would be happy to discuss it informally to see if there's some consensus on the committee to add those words.

The Chair: We can do it in a couple of ways. Mr O'Connor can make a friendly amendment to his motion or you can amend Mr O'Connor's motion.

Mr O'Connor: I would allow Ms Poole to make a friendly amendment to it. That's a reasonable request. It's something that would be helpful.

Ms Poole: Since Mr O'Connor has graciously agreed—

The Chair: Maybe he could withdraw his motion and then place a new one. Why don't you just withdraw the motion and make a new motion. That way we only have to vote once.

Mr O'Connor: Okay, to make things a little simpler, I will withdraw it and allow Ms Poole to bring forward a new motion.

The Chair: Mr O'Connor withdraws his motion and moves the same motion, adding the words at the very end, "within this fiscal year."

Ms Poole: That is correct.

The Chair: Any discussion? Mr Cousens.

Mr Cousens: There are a few points I'd like to emphasize in supporting this amended motion. The first thing is that I don't ever want to take away the importance of the Ombudsman. In the spirit of the public accounts committee asking for this audit, I think it's one of the more difficult audits you will have been asked to do because the public is prepared to pay a reasonable amount, which is hard to define, in order to have someone such as an Ombudsman who is able to protect their rights and defend their rights from within the bureaucracies of the government. The tradition of the Ombudsman until very recently has been one that people have respected for the way in which people's matters have been processed. I understand there is an increasing sense of worry about that office.

In supporting this bill, I want to make it very clear that our caucus has nothing but praise for the Office of the Ombudsman. The office itself is something I would never want to jeopardize or undermine in its purpose of protecting and defending the rights of people when they have some concern that needs to be raised as it pertains to the dealings of government with them. I think that underlies any intention I have.

The other part is that I hope there isn't any hidden agenda on the part of the Liberals or the New Democrats. They're quite capable of trying to be devious. I've seen a lot of devious people in my day—certainly not in this room this morning.

1020

Ms Poole: Thank you. I'm quite relieved to hear that.

Mr Cousens: I couldn't talk about Ms Poole. Anyone who has her abilities—

Ms Poole: I may be boring but I'm not devious.

Mr Cousens: I wouldn't even say you're boring, not with those colours on today.

Let there be no hidden agenda on the part of this committee to start undermining the Office of Ombudsman. If we're in a position to say, "Things are going this way and here's our sense of it," then we're able to have a review of the spending and services within that office to see that they're reasonable. I'm satisfied that Mr Otterman and the staff of the Provincial Auditor can define what their sense of reasonableness is and I'm not worried about that. As long as we don't have some other agenda going on here that I haven't been part of, I'll be satisfied with this motion.

Mr Joseph Cordiano (Lawrence): Mr Chairman, I just have a few brief remarks to add to what Mr Cousens has said. With respect to the Ombudsman, I think it's most appropriate, if we choose to move forward with respect to any of the work we conduct, that we not heighten the concern of people before we enter into that work. We're simply doing what this committee has to do in order to do its work effectively.

I don't think it's the intention of this committee or of the auditor when an audit is being contemplated that it's some sort of witchhunt. I think we have these mechanisms in place whereby we conduct audits because it's necessary to determine that things are running efficiently; all of us understand that, in whatever capacities we're engaged in in the service of the public. So I don't believe it's necessary to make some kind of proviso with respect to undertaking an audit, that we have to make that kind of statement prior to the undertaking of an audit.

I think it's necessary that we maintain the integrity of the workings of this committee inasmuch as the committee's work is important to everyone concerned, even those people being audited; that there's a commitment and a willingness on the part of all to have these audits conducted so that there are the efficiency gains over time that we're looking for, and productivity gains have to be made constantly. That's really the ultimate goal of this committee and I believe the ultimate desire of any of the auditors we've had in our history. I think we've done that and we've proven to be effective without conducting witchhunts.

There's no hidden agenda, Mr Cousens, on the part of members of the committee at any time. I think that despite differences of opinion, and we've had quite a few over the last little while, it's really a desire to get to the bottom of the expenditure of public funds. Ultimately that motivates people on this committee.

The Chair: We're running a list now. The list includes Ms Haeck, Ms Poole and Mr Cousens.

Ms Christel Haeck (St Catharines-Brock): I would like to do what I can to assuage the feelings of Mr Cousens about the prospect of undermining the office. As someone who sits not only on this committee but also on the standing committee on the Ombudsman, I am really aware of the amount of work the Ombudsman committee has done to try to answer some of the prevailing questions that in fact are reflected in the annual report. As you may be aware within your own caucus, we did have a meeting with the Ombudsman for a week-long occasion in February and there are still some nagging questions and concerns that I know all of the caucuses share with regard to what is going on there.

Very clearly, it is an adjunct to each of our offices. I've referred people to the Ombudsman's office and I hope that where resolutions can't be achieved that office will be of assistance. But I think it will be clear to all concerned if the public, who have also expressed some concern, can get answers. So far, it has been something of a one-way street. People are not satisfied and I think the Legislature and the elected representatives have an obligation to try to get some answers. The auditor will provide us with a means to clarify that role. Then the committee itself will look at the legislation and see how else to improve the services provided. If anything, I would say our intent is to enhance the role, not to diminish it in any way, shape or form.

The Chair: Thank you. Ms Poole and Mr Cousens.

Ms Poole: Mr Chair, I'd certainly like to support what Ms Haeck just said about the role of the Office of the Ombudsman and its importance. I don't think anybody

would question the value of that office. In fact, it has only been relatively recently, within the last six months, that a lot of these concerns have come to the fore.

Probably about four or five weeks ago now, I wrote to the standing committee on the Ombudsman to raise a matter for its attention. This followed a point of order I'd raised in the House with the Speaker relating to the Ombudsman advertising campaign. They had done a series of brochures, very large posters and billboards for subway shelters where it said things such as, "Getting the runaround at Queen's Park?" Then it showed people on a merry-go-round and it said, "Call the Ombudsman," and gave a 1-800 number.

There were a couple of concerns with this particular approach. First of all, it was misleading to the public because the Ombudsman's office is the court of last resort. It is where one goes if one has gone through all the various levels of government; you've exhausted all rights of appeal and there's nowhere else to take your case. The Ombudsman's office is there to really take an arm's-length, independent viewpoint of the whole matter and decide whether in fact the government agencies or ministries have treated the party fairly and if there's anything they would recommend. That's the process.

This ad implied that the Ombudsman was there any time somebody phoned Queen's Park and didn't like the answer he got, so this jeopardized, certainly in my opinion and I think in the opinion of a number of members of the House from all parties, the role of an MPP.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): The Ombudsman's office didn't have enough work.

Ms Poole: Right. That brings me to the second point: A number of us questioned not only the type of advertising campaign but the necessity for it. The Ombudsman's staff, I believe, had been increased to somewhere in the vicinity of 135. I hesitate to put that figure out because I'm going from memory, but it was a substantial number of staff expanded to deal with the backlog at the Ombudsman's office. There was a suspicion in some people's minds whether it's valid—and perhaps this value-for-money audit can shed some light on this—as to whether the Ombudsman's office was trying to drum up more business to retain this fairly substantial staff it has acquired. I don't think any caucus has any hidden agenda, it's just that it has been a point of concern.

1030

Following my point of order in the Legislature, I wrote a letter to the Ombudsman committee to take a look at this, but there seems to be some question about whether the Ombudsman committee would have the jurisdiction to look at this kind of financing matter and it appears most reasonable that the standing committee on public accounts does it.

Just to allay Mr Cousens's concerns, I certainly had no hidden agenda other than receiving in my office a huge poster which said "Getting the runaround at Queen's Park?" with a picture of a merry-go-round and "Call this number," implying that I wasn't doing my job or that my constituents could go elsewhere for help. I can tell you

what would happen, Mr Chair, if a person phoned that number and said: "I'd like some help with this, because I phoned the ministry two weeks ago to get this report and they haven't sent it to me." The Office of the Ombudsman would say: "Oh, I'm sorry. This isn't our jurisdiction. We can't deal with this. Please phone your MPP."

What you've done is misled the public as to what the role of the Office of the Ombudsman is; second, you've created a level of frustration and red tape where the constituent has to go through one more level, one more phone number, to try to get help. This is what triggered it, just to allay Mr Cousens's concerns that somebody somewhere might have a hidden agenda.

Having said that, the Office of the Ombudsman has dealt with extremely difficult cases in the past and has been a vital service that we certainly don't want to undermine, but I think the taxpayers of this province have a right to know that their moneys are being spent appropriately. The only way we can do this is to have a value-for-money audit. Thank you, Mr Chair.

Mr Cousens: Mr Chairman, I appreciate very much the responses of Mr Cordiano, Ms Haeck and Ms Poole, the sense that there is not a hidden agenda. When people look at politicians these days, I really want to make sure that we not only do the right thing but are seen to be doing the right thing. Certainly now, as the Office of the Ombudsman is approached by the auditor, it will be in the correct spirit. That's the only way in which I would like to see us operate. I think Mr Cordiano, my Liberal colleague on my right and political left, says it well: A witchhunt is not the kind of thing we ever want to do. But sometimes people worry that when there are concerns, those concerns won't be addressed.

As this motion comes from the member for Durham-York, it might even be possible to get him to move to something like this for the Ontario Housing Corp or a few of the other areas where some study and evaluation would be helpful. But in the meantime, we'll take what we can get from the New Democrats.

The Chair: Mr O'Connor has moved that the standing committee on Public Accounts requests that under section 17 of the Audit Act, the Provincial Auditor perform a value-for-money audit on the Office of the Ombudsman within this fiscal year.

All in favour?

Motion agreed to.

The Chair: Item number 2: Take a moment to review the draft motion before someone initiates its move. Everybody's looked at it?

Mr O'Connor moves that the standing committee on public accounts review the activities of the Ontario Housing Corp. The review should study but not be restricted to studying:

"If individuals with 'deep needs' as defined by the Ministry of Housing are being referred to non-profit and cooperative housing agencies according to the OHC's point system;

"If non-profit and cooperative housing agencies are accepting referrals from local housing authorities;

"If non-profit housing agencies are employing selection of criteria compatible with local housing authorities, and

"The coordination of referrals between regional housing offices, local housing authorities and non-profit and cooperative housing agencies."

We'll run a list. I have Mr Cousens, Mr Cordiano, Ms Poole and Mr Frankford.

Mr Cousens: I'd just ask the acting Provincial Auditor, if I may, through you, Mr Chairman, whether this motion gives sufficient scope to him and his staff to have enough of a review that can touch on some of the concerns that have been considered by this committee and that arose in earlier discussions. Do you feel this is a limiting motion? Does it give you enough freedom to come back to us with a report that gives us a sense of what's going on in the OHC?

Ms Poole: On a point of order, Mr Chair: Relating to the question just asked by Mr Cousens, my understanding of this motion, and I'd like some clarification on it, is that it is actually the standing committee on public accounts that would do this review and not the Provincial Auditor. I would just like to clarify if that is indeed the intention. If it is not, then I think we should amend the motion to involve the auditor's office.

The Chair: That's what the motion says. It says the standing committee on public accounts to review.

Mr Cousens: That's really the basis of my question, Dianne, the way in which the auditor would be involved, the preparations he would bring to us before we would begin deliberations. For us to just start running off—we could have a tremendously competent researcher begin to do some work, but maybe we could combine resources beforehand and then consider these things. That's why I would like to know how the Provincial Auditor in his capacity reacts to this motion and what role he would play in it.

The Chair: The point of order is valid. Does anyone else wish to speak to the point of order?

Mr Cousens: Could the Provincial Auditor respond to the question I have?

The Chair: That may answer the point of order.

Mr Jim Otterman: My reaction to the motion is that there's no role specifically mentioned for the Provincial Auditor in this, and if you wanted the Provincial Auditor to be directly involved, you'd have to revise the wording.

Perhaps there's been some confusion from our involvement in ongoing audits of the Ministry of Housing, so I'd just like to clarify that. In our prior year's report we commented on the Ontario Housing Corp and basically the rent-geared-to-income program. In this current year we've just completed an audit which we will be including significant aspects thereof in our annual report to the Legislature in November, on the non-profit housing side. Both of those reports have addressed to some extent the referral matters you are interested in looking at here.

I would say we have done our work in this area. It's a matter of timing for you people to decide when you want to get at it, either before our reports become public or after.

Mr Cousens: To stay on that, you do not see an immediate need then for further evaluation on the basis that

what you've already done should be sufficient for us to begin our study at this time, or do you feel there should be some immediate liaison in this motion with your office? I think you can help us develop a better approach on this. That's all I'm looking for.

Mr Otterman: I wouldn't want to go over the same ground again with the auditee; let's put it that way. You could get into it a bit from the 1991 side of the report, but that's only part of the picture. It's really the non-profit side here that, when we report on it in November, will give you a more complete picture. What I'm saying is that, based on the work we've done, that's the timing of when you would have the final chapter available to you.

Mr Cordiano: On that point, I think the motion would tie into the work you've done if and when that report is made available. We should structure our schedule so the two coincide, obviously, and we can use the information you've already ascertained in your audit to conduct this review with the full committee's involvement.

I'd like to add a few other things, if you have a list there.

The Chair: I'd just remind the committee that I mentioned to the full committee some two or three weeks ago that the work of the auditor in his last piece of work, which was going to be tabled this November, in fact touched on a great number of areas in this motion. I suggested at that time that we stand the motion aside until we got the auditor's report and then try to coincide the work that had already been accomplished with the wish of the committee. That may or may not be the feeling of the committee today.

Mr Cousens: You're responding to my question. The sense I have, and I think what Mr Cordiano is alluding to in the same spirit, is that we very much want to look at this; it is an important subject for our committee. To do so at this time might not be making the best use of the information that is going to be tabled. I won't make a motion to table this motion at this time or to refer if there's more discussion people want to have, but I think that's really what should be done with it: that we come back to this subject once further information is available—unless the Provincial Auditor were to have information available earlier so we could begin this evaluation this summer, if that was part of the plan the Chairman had. Maybe that's another question. Would it be available earlier to begin with, or would you rather wait until November?

1040

Mr Otterman: I have no authority under the Audit Act to make that individual report available.

Mr Cousens: Then we're not going to ask for it. Mr Chairman, my point is that timing may not be as good as it could be for this motion, though I like the intent behind it.

The Chair: Very good. We have Ms Poole and Mr Frankford on the list and then Ms Haeck.

Mr Cordiano: I didn't finish speaking to the point of order.

Interjection.

The Chair: Order, please. The point of order takes precedence.

Mr Cordiano: When I had my turn to speak, I thought I was speaking to the point of order, not on the list you had running.

The Chair: The point of order was whether Mr Cousens was going to direct a specific question to the Provincial Auditor, which was done, because I got the feeling at the time that the committee wanted that to happen.

Mr Cordiano: I understand, but I thought I was next in turn to speak, because I wanted to add to the motion that's here—

The Chair: So what you're telling the Chair is you didn't get a chance to finish your presentation.

Mr Cordiano: Absolutely.

Ms Poole: Mr Chair—

The Chair: Is this a point of order, too?

Ms Poole: I just want to perhaps be helpful to the committee. I think Mr Cordiano's intervention was a supplementary to Mr Cousens's discussion and he actually did not have an opportunity to speak to the rest of his concerns.

The Chair: I've already concurred with that. Okay, the list is Mr Cordiano, Ms Poole, Mr Frankford and Ms Haeck.

Mr Cordiano: I wanted to include in this list a direction with respect to matters surrounding the measures undertaken by the Ontario Housing Corp to implement security programs at the various projects. I specifically refer to housing projects in my riding which have had some pilot work done to implement security systems and implement better security measures for the residents of those buildings. This is an ongoing matter, and I think the time has come perhaps to include with this review an undertaking to see if in fact the Ontario Housing Corp is doing anything about security in these projects, as the matter has been raised repeatedly by a variety of my constituents and other people throughout the province, and to ascertain whether that should be a priority for the Ontario Housing Corp with respect to dollars that are being spent and just what the state of affairs is with that whole issue now.

I'd like to include in that motion some words to the effect that we undertake to assess what security systems have been implemented by housing authorities where a need has been expressed for such measures to be undertaken and what kind of expenditures have been made for those new systems to be put in place.

The Chair: I think we get the message, Mr Cordiano. We'll work on some wording that may be satisfactory to you.

Ms Poole: I would like to comment on this particular resolution and some ways in which it may not be quite adequate. There's no doubt that the four points contained in this resolution are very important ones stemming from the auditor's report from 1991 and that there is a need to look at these four particular areas. There has been some evidence, again stemming from the auditor's report, that there have been problems with referrals, with determining deep need and consistency in the program.

However, there's another side to this, which I believe the auditor's office is looking at right now, and that's the whole non-profit program. It would seem to me that if this committee were to look at these four points without waiting

for the auditor's report and commenting on the balanced picture, it would be premature.

I want to give you an example. Since coming into office as the government, the NDP has made a number of commitments in non-profit housing. The first is to complete the 30,000 Homes Now Liberal program that had been initiated before the NDP came to office, and they are now in the throes of completing that particular program. But a year ago the NDP announced in its budget 10,000 more non-profit and co-op homes, and this year announced in its 1992 budget a further 20,000 non-profit homes that would be developed over the next three years. Yet this steam-rolling effect continues and there has been no attempt to stop and do an evaluation and assessment as to various aspects of the program.

For instance, there's been no evaluation of the extent of the need and the extent that the need is being satisfied by the Homes Now program. There's been no evaluation of whether there are other programs that could tie in to help assist this need, including rent-geared-to-income. There's been no evaluation of the efficiency of the non-profit program. There has been no evaluation of the delivery and, finally, there has been no evaluation of whether the process itself is working: whether the need is being met, whether the time frames are being met and whether in fact a streamlining of the process needs to occur. All these things are happening and yet we as a province are committing billions of dollars to this program without making these vital assessments.

I don't agree with my Conservative counterparts that we should abandon the non-profit co-op program. I do believe there should be a balance of rent-geared-to-income in existing buildings, for which we can get quite a considerable bang for our dollar, and non-profit. But the way this is framed right now, without including what the auditor is looking at and will be reporting on in November, appears to me to be quite deficient.

By coincidence, I just happen to be subbing on this committee today, but I'm also the Housing critic for the official opposition and I think it would be a waste of this committee's time to only look at a small portion of the picture when the auditor is currently engaged in looking at a much broader picture. After we conclude the discussion, I would be happy to assist with amending this motion to ensure that when we look at it, it's really effective in making sure that the taxpayers' dollars are being well spent.

The Vice-Chair (Mr Cordiano): Mr Frankford is next.

Mr Robert Frankford (Scarborough East): Housing is a very big issue in Scarborough East and all of Scarborough. I can see some very helpful aspects to this motion. For starters, I think I'd respectfully disagree with your wish to add to the security aspect here, because it seems to me that this is rather separate to the thrust of this. I would suggest that it might be more helpful to make a separate motion on that or to combine it with other reports on Ontario Housing.

It seems to me that this is dealing with housing more broadly, because it ties in the relationship between the public Ontario Housing and non-profit and co-op, and that's a topic that is of great interest to me as we see more and

more interest and proposals for developing non-profit and, to some degree, co-op housing in my area. I think it will be very helpful to try to take a more unifying approach, and this can also get into other innovative suggestions that have been raised as to whether one should actually be changing the status of some of the types of housing.

1050

For instance, there is a proposal where one could have some pilot projects for converting Metro housing or Ontario Housing, whatever one wants to call it, to a co-op arrangement. I think generally that's of considerable interest. If we understand better what is going on, which is suggested in this motion, it could be very helpful for getting into some innovative approaches, some of which, I would suggest, could well improve the quality of life and security for people there, as much as looking at physical security measures, which I think was the intent of your amendment to the motion.

Ms Haeck: I wanted to lend a voice of agreement actually to some of the comments Mr Cousens made earlier, also supported by Ms Poole, in light of the fact that the motion as it stands really doesn't include the auditor.

I know in the work before I joined this committee, the kind of background material you've provided to us, to question witnesses and get a good overview of the particular topic we're investigating, your assistance is integral and extremely important. So I have to concur with Mr Cousens about putting this somewhat on a back burner until your report is released and we can link up the kind of comments you've made with what is being put forward here.

Like Mr Frankford, at this point I would like to put the security programs a bit aside because I think the general concept of housing in the non-profit sector, as outlined also by Ms Poole, is such that it affects each and every one of our ridings. We've all had questions coming into our offices about how people get into the various facilities available. Like everyone else, I would like to have some of those things clarified.

I would like to have it on the record, for those people who are wondering if I am pro or con co-op housing, that I was the president of an incorporating board for a co-op housing project and spent four and a half years of my life getting one of those projects built. It's running quite successfully, I might add. I would like to see how this has been put together and how well the whole program is running because I still have an interest in that area.

The Vice-Chair: To use the Chairman's prerogative, if I may, I would like to respond to the previous two speakers with respect to the motion I put forward earlier. I tend to agree with some of the comments you've made with respect to my motion, that it certainly doesn't fit within the parameters of the thrust of these four points we've made under this review. But I think it's important enough that if we're going to deal with this area, which this committee has not dealt with for some time—correct me if I'm wrong, but I don't believe we have, the whole area of Ontario Housing and non-profit.

Interjection: It's been a few years.

The Vice-Chair: It's been a few years. So this is something I do not want to miss an opportunity to examine, because it may not come up for some time again. I think the point I've raised is of great interest to a lot of people at the present time and I would not want to see us delay the opportunity to examine this at some point too much into the future.

I would concur that it may not fit in with the general thrust of this particular motion as it's been written here, but I think it also was intended that we not restrict our study to these matters, that we should be able to include other matters, and mine was only perhaps one of possible other items that could be included in this list. So the committee's work might be conducted over a period of time to examine other aspects of Ontario Housing that are of a pertinent nature at the present time. That was really the thrust of my motion.

I am going to move to Mr Cousens first, and then Mr Frankford next.

Mr Cousens: Mr Chairman, with all due respect, I think we're very close to where we want to be. To continue this, maybe what we need to do is, Ms Poole has tabled some good suggestions that allow it to have a more expanded view of existing programs, and there are other concerns that are being raised. Why don't we just leave and then we can come back to it? We could keep talking for hours. I think we're really close to where we want to be. We can have the communications committee put together a motion we're going to agree on, and make sure Ms Poole is there and Ms Haeck and one of us. I think we can come up with something that's very responsible. It's not going to happen this summer, but it'll happen in the fall and we can make it happen.

Ms Poole: On a point of order, Mr Chair: We have talked about various suggestions and motions. I have written out—in somewhat scribbled form, but nevertheless written out—a possible amendment. If you want me to read it now, it could then be sent back to the steering committee. But I am not a regular member of the committee and I'm not sure that I would necessarily be involved in future discussions, so I wondered if I could make the suggestion and then the committee could—

Ms Haeck: We're always open to suggestions.

Mr Cousens: She's the Housing critic too, which I think makes it very valid.

The Vice-Chair: Oh, absolutely.

Mr Cousens: She has some very good insights on this particular subject alone.

The Vice-Chair: Can I just do this? Can we possibly entertain a deferment of this matter, as was suggested by the chair of the committee earlier, that we review this in conjunction with the auditor's findings and report in the fall and then at that point structure our review to include those matters and any other matters so we look at this question once again in the fall?

Mr Cousens: Could you hear what Mrs Poole has to say, though?

The Vice-Chair: Yes. That was something I think we can put off doing—

Mr Cousens: I don't like to do any favours for the Liberals, but—

The Vice-Chair: Actually, I have Mr Frankford on the list first, and then we'll go back to your amendments, Mrs Poole.

Ms Poole: Sure.

Mr Frankford: I wanted to ask if it's customary to solicit public submissions or have witnesses, because it seems to me there are many people who would like to bring forward their experience on these questions.

The Vice-Chair: I've been on this committee for a variety of years. We have had witnesses from time to time, but not generally. We usually call before us the bureaucracy, people from the various ministries, other expert witnesses, if you will, but we have not conducted public hearings of the kind that would be conducted in other committees where you would have hearings over an extended period of time. That's not generally what the committee's work is about.

Mr Frankford: It seems to me that if one doesn't go to the grass roots, there are at the very least housing advocacy organizations in the non-profit and co-op sectors which I think have considerable knowledge in this area.

The Vice-Chair: Your point is well taken, Mr Frankford, but again other committees have more appropriately done that kind of work with members of the public at large coming before the committee and having extended sittings over a matter like that. This committee's work is structured so we're a little more efficient in terms of our time and we get to value-for-money questions or expenditures, usually conducted by way of the various ministries coming before us or other agencies, if you will, as we've had.

Those are kinds of public witnesses we've entertained before the committee. To conduct kind of an inquiry, if I hear what you're saying, I think would sort of steer away from what traditionally the committee's work has been. We can do whatever the committee members decide to do; that's for certain. I'm just trying to give you some background on what the work of the committee has been.

Mr Frankford: If I could just respond, I can see that this committee doesn't have all that much time for the many interesting areas it wants to get into.

The Vice-Chair: Absolutely.

1100

Mr Frankford: But I would think there are people with experience in these areas. I'm thinking of organizations that might well want to put in written submissions. I think that could be very helpful.

The Vice-Chair: Yes, we can bring in people to advise the committee in one area of expertise or another. Certainly we can do that, but we'll have to review this matter if it's going to be somewhat lengthier. I think we need to focus our efforts on this committee to questions surrounding value-for-money audits. Those kinds of focuses are really what this committee's work is all about. The minute we get into policy discussions, I think it moves us a little bit beyond our mandate as a committee. I think you begin to change the nature of the focus of the committee.

Ms Poole: I have one suggestion that might make Mr Frankford feel a little better about it. On several occasions in the past, when I have been a member of this committee, we have had investigations into, say, the firefighters, psychiatric hospitals, where we actually went for an onsite visit. It may be that we are able to do that type of thing, or I guess I should say you, since I may not be here. We're able to go out on location and talk to people in Ontario Housing and to people like that, so you may get an overview that way. That's one suggestion.

Mr Frankford: If I can just respond, we have a great variety of housing types in Scarborough. I would be delighted to welcome the committee there.

Ms Poole: I was going to propose that the steering committee take back to discuss an amendment that would go somewhat like this:

"Following the release of the auditor's report in November 1992, the standing committee on public accounts review the activities of the Ontario Housing Corp and other aspects of non-profit housing. The review should study, but not be restricted to studying"—and then make the four points that are currently on the resolution, and add a fifth point—"an assessment and evaluation of the non-profit program, including but not restricted to the need, the efficiency, the delivery and the process, including such things as time frames and streamlining."

That is just for your suggestion for future debate. I would then move that we table this matter at this particular time and leave it to future meetings of the public accounts committee to discuss further.

The Vice-Chair: I have a motion on the floor then. Is that your desire?

Ms Poole: Yes.

The Vice-Chair: Before we do that, Mr O'Connor was on the list. I think I'll give you an opportunity to speak.

Mr O'Connor: At this point I'd like some direction and clarification. We have two motions on the floor at this time. Do we deal with the latter and then the first? The first one should be either withdrawn or amended as suggested to be tabled to a later date. I guess we're into a procedural matter that I'd ask the Chair to try to clarify with the assistance of the clerk so that we can try to do this with the right procedures in mind.

The Vice-Chair: We can do a variety of things, all of which is to say, if we do want to deal with this matter and we agree that—I'll be willing to withdraw my motion to amend if you would do the same. I believe the original motion was yours. If now there is agreement to do that and if there's agreement also to entertain Mrs Poole's amendment as a consensus agreement, then we can move in that fashion or we can defer the whole matter. If I understand correctly, there is some sort of a consensus around Mrs Poole's amendment now, so I'll withdraw the amendment that I originally proposed, if you would do the same, Mr O'Connor.

Mr O'Connor: Thank you, Mr Chair. I appreciate that. I'll withdraw the original motion. If Ms Poole would bring forward her amended motion, then perhaps we can

table it because at least we'll have something on our agenda to be looked at in the fall when we do have more time before us.

The Vice-Chair: So we'll entertain Ms Poole's amendment. If you'd like to read the whole amendment, if you have it ready, it now becomes the motion.

Ms Poole: Mr Chair, my only limitation is that I'm the next speaker in the debate in the House, so I have to get up there probably immediately, but I am writing this out right now for the clerk.

The Vice-Chair: The clerk advises me that it's not necessary for you to read the motion into the record at this time. We have an understanding that we'll be entertaining this in the fall, so we'll deal with the matter by way of the clerk looking at the record and therefore preparing a motion to that effect at some point in the future. You'll circulate it to all of the members and it will have been dealt with. So can we proceed in that fashion? Do I have agreement?

Ms Haeck: Yes.

The Vice-Chair: We move on to the next matter which is actually a motion that I put forward, if I read it correctly, several weeks ago. Would you take over the chair, Mr Brown?

The Acting Chair (Mr Michael A. Brown): Mr Cordiano, would you like to put this motion on the record?

Mr Cordiano: Thank you, Mr Chair. I have an addition to this motion that I'd like to add to the motion at this time, but perhaps it would be better to proceed by way of reaching a consensus. Maybe we should have some discussion around this.

The Acting Chair: Perhaps you could put the original motion on the record first.

Mr Cordiano: I can add it in and then discuss it. Let me do it that way. Everyone has a copy of the original motion, so what I intend to add to this is something to the effect that the—

The Acting Chair: Would you just read the complete motion, with the addition?

Mr Cordiano: Yes. We can do it that way.

I move that the standing committee on public accounts requests that, under section 17 of the Audit Act, the Provincial Auditor perform an audit on the office of the registrar general. The audit should include, but not be limited to the following: processing of requests from the public; general administration such as problems processing requests from the public.

I'd like to add these matters:

Questions for the Provincial Auditor to undertake a review of the current number of staff in relation to the projected number of staff as will be determined by the 1992-93 estimates of staff salaries and wages; the number of staff before moving to Thunder Bay in relation to the processing times of applications and the number of staff after moving to Thunder Bay in relation to the processing times of applications; any staff increases and/or decreases since the move to Thunder Bay and how they have affected the office's productivity.

So what I'm attempting, if I could just clarify—

The Acting Chair: Thank you, Mr Cordiano.

Ms Haeck: Just as a point of clarification, and I would welcome a correction on behalf of Mr Cordiano after I've put forward my idea, some of this is rather cumbersome wording and it sounds like I wrote it at 12 o'clock at night.

Mr Cordiano: I did.

Ms Haeck: I appreciate the fact of what you've just tried to put forward, but I think the thrust of this is around staffing and I think that a simple focus would be adding—even under general administration you're talking such problems as processing requests and including also staffing that existed before and after the move. I think there are a range of things that you've put forward which I think would reveal themselves to the auditor as part of that process and your reactions to my statements would be appreciated.

The Acting Chair: Thank you, Ms Haeck. Perhaps the way to deal with this is to deal with Mr Cordiano's motion. If he wishes to make a friendly amendment or we wish to reach some consensus, that might be the best way to proceed and it will allow Mr Cordiano to speak to his motion.

1110

Mr Cordiano: It was not my intention, Mr Chairman, to actually put this as a motion or as part of the motion. I was attempting to find proper wording which would distil all the facts I've put forward before you in this motion. Anyway, we can work that out in terms of the wording, can we not?

I think the net effect of what I'm saying is surrounding staffing and productivity gains and looking at the differences between staffing arrangements now and staffing arrangements prior to the move to Thunder Bay, because it's important to get to the bottom of what is the problem. If it's the fact that funds have not been allocated in sufficient quantity to do the job, then we need to know that.

If we want to move a friendly amendment, we can come to some sort of wording which would say something to the effect that we would examine the level of staffing at the present time, as have been included or determined by the estimates that are being presented to us in the 1992-93 series, as compared to spending patterns prior to that and the level of staffing in comparison to what was there before. We can find wording to specifically deal with that as long as there's agreement that's what we intend to look at.

Ms Haeck: Did you want to put a time frame on that? I think we should really be looking at from some time in 1990 prior to the move, but you could in fact have to go back several years. So the question comes in as to the time frame in which you would like to structure that.

The Acting Chair: I'm running a list. I think the most helpful way to proceed is, first, if we could get a copy of your additions to this motion, Mr Cordiano, and then as the discussions proceed, perhaps we will arrive at a consensus of the correct wording.

Mr Cousens: I think Ms Haeck was offering worthwhile amendments to it. I know our caucus strongly supports anything that can be done to get the auditor to look at this and come back with a review, so let's just put the words together.

I think there isn't a riding office across the province that doesn't have some genuine concerns. I'll bet you the only ones that are happy are the ones in Thunder Bay, because they don't have to pay the long-distance costs and maybe they can run down and get some service. But everybody else has to be crying, screaming, shouting, complaining, and I'm sick of it. If we can get this done and, just to take Miss Haeck's point further, expedite it—if the Provincial Auditor is able to give us a time frame, "Here it is", and tell us how we can do it rather expeditiously so that we can get on with this one, because this is a sick baby we want to heal.

Mr Johnson: You want to be younger? Now's the time to do it.

Mr Cousens: That's right. I'd like to do that. I'm not going to get younger around this place.

Mr O'Connor: And your hair—

Mr Cousens: And hair, I've lost that. And I lost my apartment. I don't have very much any more.

Mr Frankford: I was out of the room so I may have missed some of this, but one thing I was very interested in is around computerization, information systems—whatever one wants to call them. I think the registrar general's is essentially an information system.

I think there is a specialized area here and this might be a useful exercise. I don't know how much the auditor in the past has reviewed the technical performance of information systems. If not, I think this is really quite a specialized area which I'm sure is going to get commonplace as time goes on. I just hope that whatever motion we pass would at least make some reference to this aspect and not just purely talk about the human resource side.

The Chair: I think the auditor might be able to help us at this point.

Mr Otterman: Yes. I may have mentioned at the previous meeting or in the steering committee meeting that quite apart from all this, long before we had the public accounts committee's concerns brought forward to us, we decided to audit the information technology under this new system. That audit is just getting under way now.

Mr Frankford: Thank you. That's helpful.

The Chair: Anything else on Mr Cordiano's motion? Do we need to re-read the motion?

Mr Johnson: Yes, I think that would be a good idea.

The Chair: Mr Cordiano moves that the standing committee on public accounts requests that, under section 17 of the Audit Act, the Provincial Auditor perform an audit on the office of the registrar general. The audit should include, but not be limited to, the following: processing of requests from the public; general administration such as problems processing requests from the public; the current number of staff in relation to the projected number of staff, as will be determined by the 1992-93 estimates of staff salaries and wages; number of staff before moving to Thunder Bay in relation to the processing times of applications and number of staff after moving to Thunder Bay in relation to the processing times of applications; any staff increases and/or decreases since the move to Thunder Bay and how they have affected the office's productivity.

Motion agreed to.

The Chair: Does anyone have any new business?

Mr Cordiano: Dare we ask?

The Chair: I have one item I'd like to deal with immediately and then I have another item I'd like to deal with in camera. As the general community becomes aware that Ontario is seeking a new Provincial Auditor, members of the committee and myself will probably be receiving résumés in the mail and possibly even phone calls. I've received several such résumés and phone calls. My position is that I'm not accepting any phone calls, and every résumé I receive will be turned over to the Clerk.

I think it would probably be wise for all members of the committee to refrain from speaking one on one to individuals who wish to lobby on their own behalf or on behalf of someone else. I think the process has to be, and has to be seen to be, above reproach in every sense of the word. I don't think it would be appropriate for myself or any member of the committee to be having these conversations or be accepting these representations. I've left standing orders in my office as such. I think that will work to our benefit and to the benefit of the process and it will help us get through the process in the best possible way.

Mr Cordiano: On that point, I would agree that if there is an established procedure that is agreed to, then obviously it makes it a lot easier for each individual member not to have to deal with the onslaught of requests for interviews of a one-on-one nature. I'm just saying this as a member now. It's difficult in our positions not to be discourteous to people when those kinds of requests are made. These people are professionals. Perhaps they have the requirements, the qualifications etc, but if we have a process we all agree to, then that is basically the way in which we can proceed to tell people that there is a procedure we're going to be following and we will not violate that procedure.

I appreciated what you were saying this morning and I was going to raise the matter with you privately, but I'm glad we're discussing this before the full committee because I would like to proceed in that fashion.

I've also been approached by someone already whose résumé I have in my office and I would like to put that forward to you. I think we can receive résumés; I don't think there's a problem with that. I guess it would be appropriate to turn them over to the Chair of the committee. Is that a good way to approach this? Each of the members of the committee can receive résumés and turn them over to you.

The Chair: I don't think the members of the committee can prevent the receiving of résumés.

Mr Cordiano: Right.

The Chair: I would prefer that the résumés go directly to the clerk, who will then send them on to human resources branch. That way we have one person to send the résumés to and there's one flow of information. I appreciate your comments, Mr Cordiano.

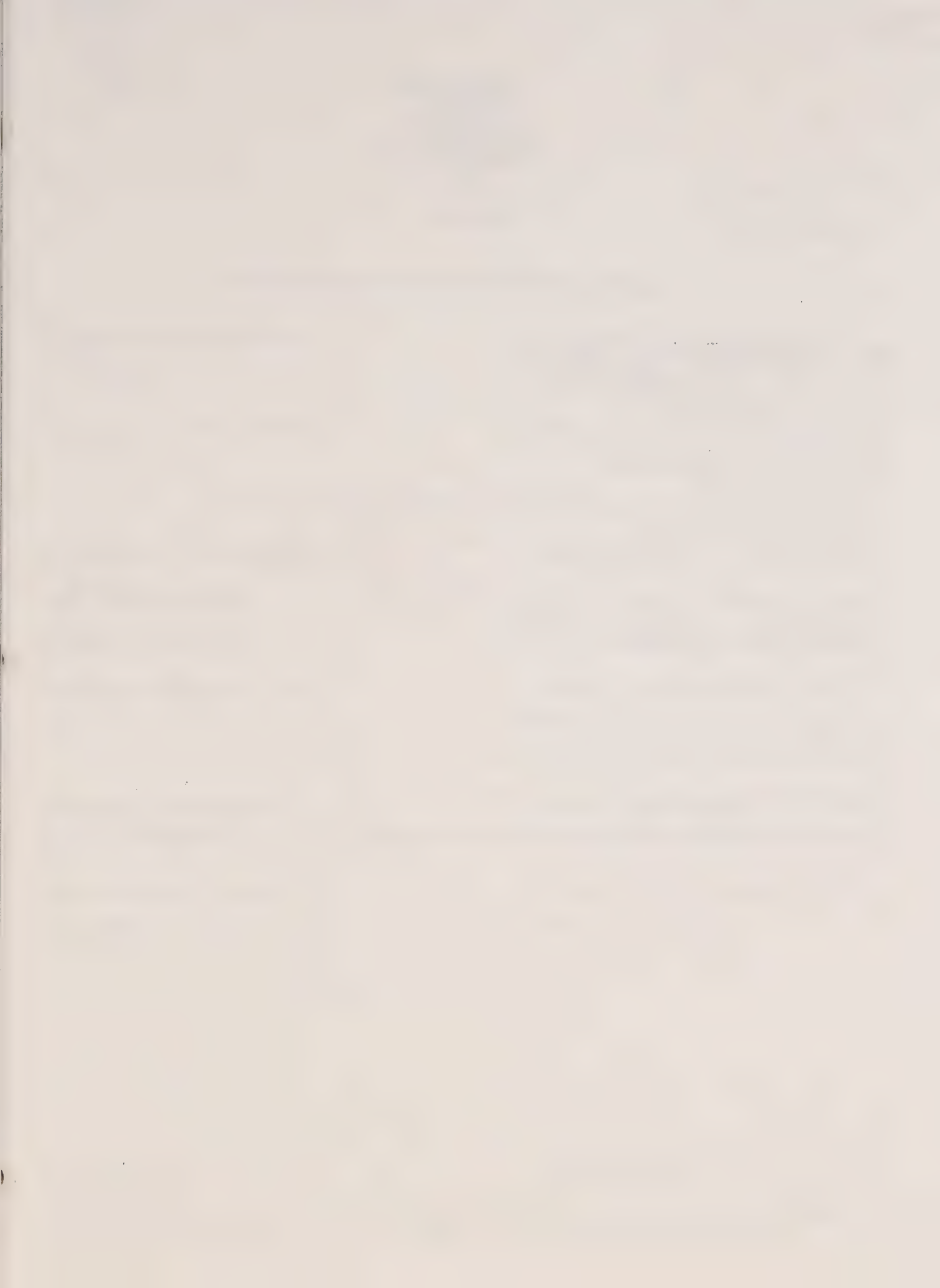
Mr Cordiano: Thank you.

The Chair: Anyone else on the matter? Ms Haeck.

Ms Haeck: I would concur. I think, Mr Chair, the way you've proposed this is really the most efficient way and definitely puts us all above reproach. I commend you on bringing that forward today before we get into that whole selection process.

The Chair: Okay. Any further business before we go in camera? Seeing none, the standing committee on public accounts is adjourned and the members will go in camera.

The committee continued in camera at 1121.



CONTENTS

Thursday 25 June 1992

Committee business P-71

STANDING COMMITTEE ON PUBLIC ACCOUNTS

***Chair / Président:** Mancini, Remo (Essex South/-Sud L)

***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)

Callahan, Robert V. (Brampton South/-Sud L)

***Cousens,** W. Donald (Markham PC)

***Duignan,** Noel (Halton North/-Nord ND)

***Frankford,** Robert (Scarborough East/-Est ND)

***Haeck,** Christel (St Catharines-Brock ND)

Hayes, Pat (Essex-Kent ND)

***Johnson,** Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)

***O'Connor,** Larry (Durham-York ND)

Sorbara, Gregory S. (York Centre L)

Tilson, David (Dufferin-Peel PC)

Substitutions / Membres remplaçants:

***Brown,** Michael A. (Algoma-Manitoulin L) for Mr Sorbara

***Poole,** Dianne (Eglinton L) for Mr Callahan

***In attendance / présents**

Also taking part / Autres participants et participantes:

Jim F. Otterman, Assistant Provincial Auditor

John Sciarra, administrative assistant to the Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service

P-9



P-9

ISSN 1180-4327

Legislative Assembly of Ontario

Second session, 35th Parliament

Official Report of Debates (Hansard)

Thursday 8 October 1992

Standing committee on public accounts

Status of special audits

Committee business

Assemblée législative de l'Ontario

Deuxième session, 35^e législature

Journal des débats (Hansard)

Jeudi 8 octobre 1992

Comité permanent des comptes publics

État des vérifications particulières

Traux de comité

Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Renseignements sur l'index

Il existe un index cumulatif des numéros précédents. Les renseignements qu'il contient sont à votre disposition par téléphone auprès des employés de l'index du Journal des débats au 416-325-7410 ou 325-7411.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 8 October 1992

The committee met at 1009 in room 151.

STATUS OF SPECIAL AUDITS

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. You will see the agenda before you. We can always add any other items that members wish to add when we complete our printed agenda.

The report by Jim Otterman, acting Provincial Auditor, re status of special audits requested by the committee: Jim, maybe you could review for us what we had asked you to do and where we're at on each stage of the audit, if you don't mind.

Mr Jim Otterman: In order of completion, the Toronto Hospital: This report will be available for submission to the committee early next week or, if the committee wishes, we can submit it to the committee at next Thursday's meeting.

The registrar general: The field work is nearing completion and we expect to have our completed report to the committee in the latter part of November. Possibly, that could go into early December.

Regarding the Office of the Ombudsman, we've had several meetings with representatives of the Ombudsman's office, and the Ombudsman and we have not been able to start that audit yet. I believe the latest information the Ombudsman conveyed to me is this letter you have. Although I didn't have a copy of it, she did advise me she had written the committee requesting a meeting with the committee, as she had outlined in her special report concerning the request that we perform the audit.

I should also mention that we do get into a bit of a logistics problem in the timing of this audit. I believe the request was to complete the audit within the fiscal year, meaning March 31, 1993. The Ombudsman's people advised that it would not be convenient to their operations to do any audit work in the January-to-March period because of their year-end, getting their annual report ready and getting their work in process as up to date as they can. If we were able to go ahead with this audit, we're now running into limited time. We could probably do interim work up to December and then finalize the audit some time after March 31.

That's the status of the three assignments.

The Chair: Do members have any questions on the Toronto Hospital audit, or do you want to wait until you get the report next week? Shall we table it in committee next week? Could we get it in advance of next Thursday? Maybe members could have a chance to look at it for a day or two and then we could appropriately discuss it. If there are any areas of the audit report we might want to discuss in camera, we could always do that at the time. Does that sound appropriate? Mr Tilson, is that okay with you?

Mr David Tilson (Dufferin-Peel): I have no problem.

The Chair: The registrar general's audit, as Jim said, is in process. When might it be completed?

Mr Otterman: At this point, we're looking at the latter part of November. However, I was talking with the director yesterday, and there could be some slippage into December. If I may add, the director wanted me to ask you if the committee might consider a different method of reporting on that one; it's just offered as a suggestion. He wondered if it would be appropriate to have an oral presentation of our findings, followed by the issuance of the report to the committee. It's an innovation and I thought I would mention it in case you were interested in trying something different.

The Chair: What's your opinion of it?

Mr Otterman: It would be experimental. I can't guarantee—

Mr Tilson: My concern is that the subject of the registrar general has been such a controversial area. All members of the Legislature have received concerns on the operation of the registrar general. I have no problem with someone coming and presenting orally, but I do think we should have something in writing because of the controversial nature and the urgency with which I'm still getting, as I'm sure other members are, queries from people.

Mr Robert V. Callahan (Brampton South): You could die before you find out whether you were born or married or whatever.

Mr Tilson: So I would not be in favour of an oral presentation, exclusively, at least.

The Chair: I guess there's no consensus for that. I thank the individual for the suggestion, anyway.

I guess we should then discuss the letter we've received from the Ombudsman.

Mr Callahan: It's an amazing letter.

The Chair: It's an amazing letter, as Mr Callahan has said. I hope you've all had a chance to look at it. I'm being asked—I'm being invited—to meet with the Provincial Auditor and then set up a second meeting with the entire committee. That's the way I read the letter. That, along with the information we received from Mr Otterman this morning—

Mr Tilson: Mr Chairman, if I could interrupt you at this point, the letter goes on, "If you would like to invite members of the opposition and third party and/or the Provincial Auditor to attend." If we're going to have a meeting, I think we should have representatives from all three parties and a representative from the Provincial Auditor's office.

It is a rather remarkable letter. I don't want this committee to get into a battle that one of the other committees is into right now. We are going to audit her; it's as simple as that. But if we can do it in a way that's agreeable, then

that's fine too. If we have to listen to her, I'm prepared to listen to her, but I think all three groups—or all four groups, including the Provincial Auditor's office—should be present at that meeting.

Mr Callahan: It's going to be a most unusual audit because, assuming this is an accurate statement, that she's not governed by the government's Manual of Administration, how do you—

The Chair: Let's deal with Mr Tilson's concern first, and then we'll get to Mr Callahan's point. Both of them are excellent points.

Mr Tilson: On that point, Mr Chair: Mr Callahan, I don't think we need to get to that yet. If it requires having a private meeting with her—it's similar to the Toronto Hospital issue. The Toronto Hospital issue blew up for some unearthly reason; I don't know what happened. If Ms Jamieson wishes to have an in camera meeting with us, I have no problem with that. I just believe that all of us should be present.

Mr Larry O'Connor (Durham-York): I'd agree with Mr Tilson. If a meeting is to take place to maybe clarify some of the points, to make the Ombudsperson a little more comfortable with the audit, so be it. Probably the best way to do it would be with the subcommittee or a representative from each caucus, as Mr Tilson has suggested.

The Chair: So it's the wish of the committee, from what I've heard, that we write back to the Ombudsman, Ms Roberta Jamieson, to let her know that we would be more than pleased to meet with her. I understood you wanted to meet with her in camera. Is that your wish?

Mr O'Connor: It may make her feel more comfortable with what is going to happen. Going through an audit is certainly a process nobody looks forward to, and she may have some questions. It may make her feel more comfortable or it may not—

Mr Tilson: We may be able to help her.

Mr O'Connor: She can feel more comfortable or less comfortable, but we will proceed with the wish of the committee. I think we've all decided that's an area we want to pursue.

1020

The Chair: I am at the present time, unless convinced differently, uncomfortable in meeting with the Ombudsman in camera to discuss this matter. Our request to the Ombudsman was a very straightforward piece of work by this committee. Mr Otterman, the acting Provincial Auditor, has met with her, and my understanding is that all the facts, as described by us, have been put on the table very clearly. My reading of the letter is that she wants to discuss how this audit should proceed, if it should proceed, and I think it should be done in open committee. That's my personal opinion, unless I'm convinced differently.

Interjection.

The Chair: As our clerk just said, if something really sensitive comes up that involves personnel or contracting or something that might in some way not be appropriate to discuss in public at that particular time, then we can always

go in camera for a few moments, resolve it, and come right back into a full, open meeting.

Mr Callahan: My concern is that in looking at her letter and the special report attached to it, I have a feeling we're going to run into the same thing the Ombudsman committee did. Despite the belief by the Ombudsman that she or whoever holds that office is somehow not required to account to anybody, I don't want to see this office get any more scars. I mean, maybe she's wrong, maybe she's right.

But I think we're going to get into the same battle. We're not going to get her here if we're going to go open right off the bat. I think we should have her here in camera to discuss the situation and perhaps start off on a better leg than perhaps the Ombudsman committee did. I think they started off, with all due respect to everybody who was on it, with sort of a chip on their shoulder, and she had a chip on her shoulder, and I think nothing happened.

The Chair: From hearing the members of this committee speak today, and from what I've heard from the members before, I don't think the members have a chip on their shoulder, and I don't think we're in any way—

Mr Callahan: No, no, I appreciate that.

The Chair: I think the members here have responded to a legitimate concern. We've undertaken a process that is normal, something we normally do when matters like this are brought to our attention. We had nothing to say other than, "Let's send our very best professional staff over to the office to do the work they are obligated to do, then report to the committee and report the findings to the public." We have not done anything out of the ordinary in any way whatsoever.

Mr Callahan: In a sense, as I read the report, we don't have the same authority. Assuming that it's correct in this report, we don't have the same authority, or the auditor doesn't have the same authority, in terms of auditing the Ombudsman that we do with other bodies.

The Chair: I disagree with that.

Mr Callahan: I'm assuming that this was part of the report of the Ombudsman committee to the Legislature. It says: "The Provincial Auditor audits the Ombudsman annually under section 10 of the Ombudsman Act...The Provincial Auditor does not have any direct authority to"—

The Chair: Mr Callahan, this is the report from Roberta Jamieson and the Ombudsman's office to the Ombudsman committee. This is her opinion. Her opinion could be correct; we're not saying that it's incorrect. But as far as I'm concerned, this committee has the authority and the responsibility to carry out the audit in the manner in which we have asked it to be done.

Mr Callahan: Might I suggest that we find that out first, whether she's right or not? If she's right, it could get into a cause célèbre by her saying, "I'm not going to let you audit me at all," and I don't think that's in the interest of anybody.

I think what we want to do is find out if we have the authority to do it, or, in the alternative, that we accede to the letter by having an informal discussion first. Let's not get ourselves into a beehive—I certainly don't want to—because I don't think it will be productive and I have some

real concerns about the image of the Office of the Ombudsman becoming tarnished in the eyes of the public. I don't think that's what anybody on this committee would want.

The Chair: Let me just say that the public accounts committee in no way can hurt or tarnish the image of the Ombudsman's office with the public simply by requesting that the Provincial Auditor do an audit, which is something that is carried on on a regular basis here in this province.

Mr Callahan: I agree.

The Chair: But I do want to get back to one point you made, Mr Callahan, as to whether you think we have the authority to do this.

Mr Callahan: I don't know.

The Chair: I'd like to ask the acting Provincial Auditor his opinion on this. I have my opinion, but I think we should have his opinion also.

Mr Callahan: Fine. Why don't we get that?

Mr Otterman: It's our opinion that we have that right under section 17 of the act. In our discussions with the Ombudsperson to understand the nature of her special report, I think she really has agreed with us that she's not going to push the legal interpretation aspect of this, and we certainly haven't sought a legal interpretation; we never had to in the past. But the substance of her report, if I understand it correctly, is that it's not whether you have the right to request the auditor to conduct such an audit; it's whether it is appropriate. This, I think, ties in to the whole independence matter, which is important to the Ombudsman.

Mr Callahan: I'd like to see section 17 of the act. I got the impression that she was saying that she's not a crown corporation, she's not an agency of the government; that goes to what you're saying, that she's stressing her independence. I suspect that 17 says you have the right to audit crown corporations, agencies, boards and commissions of the government. Is that pretty close to what 17 says?

Mr Otterman: Section 17 doesn't spell that out but it does mention that it isn't restrictive to any type of entity. But clause 1(a) of our act defines an agency of the crown and refers to "or other body." We've interpreted that section to mean it brings it under the purview. We're actually the appointed auditor of the Ombudsman's office.

Mr Callahan: Is there also a provision under the Ombudsman Act for an audit?

Mr Otterman: Yes. That's where we're actually appointed under: section 10, I believe, of her act.

Mr Callahan: If that's the case, fine, but I didn't want to get into another knock-down, drag-out battle here. I think that's counterproductive to the image of the Ombudsman's office and the integrity and existence of that office for future purposes. If we're not going to have that problem, fine. I have no difficulty with the initial meeting being in open session with us going in camera if anything sensitive arises. I'd be agreeable to that.

Who is chairing the meeting, by the way?

Interjection: He's at the coffee machine.

1030

Mr Robert Frankford (Scarborough East): I think I was next in line to speak. I haven't had time to read all of this, but looking at the back page, there is a recommendation here; presumably it's from Ms Jamieson, but it could also be from the committee. This is asking the public accounts committee to reconsider whether it's appropriate to instruct the Provincial Auditor to do a special audit of the Ombudsman. I see that in the paragraph above they make the case that the Provincial Auditor is audited by a private firm. That's correct, is it?

Mr Otterman: That's correct.

Mr Frankford: It would seem to me that the offer is being made that the same arrangement should apply to the Ombudsman. It would seem that one question is whether the audit is going to be around value for money. If the Provincial Auditor's office and this committee were getting into that, then I suppose they would be making the case that this would constitute interference with an independent agency. I guess I can see the case they're trying to make. Whether it's correct under the Ombudsman Act or the mandate of this committee I'm not sure, and I'd be very interested in hearing what people say on that.

Mr Otterman: My understanding of this part of the second recommendation is that it's more future-oriented, trying to set the motion for the future of the way things should be done, whereas the first recommendation pertains to the specific request right now by the public accounts committee.

With her recommendation for an audit scenario as she's described, similar to the private sector firm auditing the Provincial Auditor office now, with the added value-for-money every fourth or fifth year, I guess you're asking whether it would appear to be infringing on independence if, in the future, the public accounts committee so requested the Provincial Auditor to do an audit. I would still think, under the present wording of the Audit Act, that her operation would be captured by the powers of the Audit Act and the request could be made and we could conduct the work if we were allowed to do so. It would be less likely that that would come up, though, probably, because every fourth or fifth year she would have this value-for-money audit done.

Mr Noel Duignan (Halton North): I couldn't agree with you more. I was going to say some of the same things you were saying. The audit office couldn't be audited by itself; that would be a conflict, and that's one of the reasons an outside firm comes in to audit the Office of the Provincial Auditor.

Let me ask a question: The Ombudsman is one of the six offices of the Legislative Assembly. How does the audit office treat the other five offices of the Legislative Assembly?

Mr Otterman: Under the Audit Act, we are the appointed auditor of each one of them, I believe, under the respective legislation, with the exception perhaps of the conflicts commissioner.

Mr John Sciarra: Yes, there's no audit provision.

Mr Otterman: I don't think there's any audit provision for the conflicts commissioner, but their expenditures run through the Legislative Assembly and we can look at them there. I believe this year we might have taken a look at them. It's not a big component of the total operation.

Interjection.

Mr Otterman: It's the commissioner and one staff person. They use the resources of the assembly to do their other work.

Mr Duignan: One of the problems of the officers of the Legislative Assembly is that there is no uniform reporting mechanism or debating mechanism. That's something the Legislative Assembly committee will be looking at in the very near future, trying to bring all that into line and having a common set of policies to do things. The audit aspect could be one of the items that committee looks at, how it's done for all the officers of the Legislative Assembly.

Mr Tilson: I've been listening to some of the comments that have been made, and it would seem to be appropriate that the Provincial Auditor's office proceed with the audit. If there's a problem, they can come back to the committee and inform us—if there is one, and so far there doesn't appear to be one. There are letters. If there's a problem, I'm sure the Provincial Auditor's office will tell us. We will then debate the position this committee will take. If Ms Jamieson wishes to come to this committee and discuss anything, we'd be pleased to receive her.

Interjection: That's very clear.

Mr Tilson: Otherwise, by our getting going on something, are we creating a snowball down a hill that could turn into something we really don't need to get into? The Provincial Auditor's office has dealt with many different personalities and many different groups. I have every confidence that they can conduct the audit the way they see fit and the way the legislation authorizes them to proceed. If Miss Jamieson wishes to come and discuss that audit with us, we would be pleased to receive her.

The Chair: Any further questions or comments or advice?

Mr Joseph Cordiano (Lawrence): One further point: I'm just reading through the letter, and the sense I get from the argument being made here about the independence of the Ombudsman's office with respect to the government's Manual of Administration is that it's her contention that the auditor's role is really to audit the government. I think the question that was put before, with respect to the legislative departments that come under the Legislature, the six areas you still audit, is the point that really needs to be made. I don't think the Ombudsman in her letter understood that when she was making that point. I think her view is that the auditor can under his mandate do value-for-money audits with respect to government departments, but that she's an officer of the Legislature and that somehow those officers of the Legislature have independence apart and away from the auditor. I think it's a point that needs further clarification.

The Chair: With that comment, I'm not sure, unless you want to add some more clarification, Mr Otterman?

Mr Cordiano: I think the point was made by Mr Otterman, but I just want to emphasize that we—

The Chair: The point being—

Mr Cordiano: The point being that all the other departments—this point was made; I'm just trying to re-emphasize that I think it is a significant point. It needs to be reiterated.

The Chair: What we're saying then, in the view of the committee, is that we're not doing anything out of the ordinary or irregular and we're going about it in a normal way. So I hear the committee. I will write back to the Ombudsman, Ms Roberta Jamieson, and tell her that the committee has reviewed her letter and that we've asked the Provincial Auditor to continue with the work, and if, at the same time, she wishes to come in to discuss something with us, that's also possible and fine.

Mr Cordiano: Could I make one last point? In my estimation, I don't believe there is any department in the legislative precinct or with respect to government departments or agencies which the auditor cannot audit where there's an expenditure of public funds. I don't believe any of these departments could be independent of that kind of scrutiny.

If that's the case, then we have a fundamental problem with the way this committee is structured and mandated. It's as simple as that. We're trying to hold the sanctity of this process up for that kind of scrutiny. It's not a challenge that's been put to us that's raising our backs; that has nothing to do with it. It's a fundamental principle that this committee and the auditor have that right, and that is what's called public accountability. If we don't have that, then obviously we have a fundamental difference of opinion and a fundamental problem, in my opinion.

The Chair: Any further discussion on this matter? No.

1040

COMMITTEE BUSINESS

The Chair: The next item on the agenda is discussion of the work we're going to undertake for the rest of this session. I'm assuming we're going to be dealing publicly with the Toronto Hospital report when we get it and with the registrar general's report when we get it. Anything else?

Mr Tilson: We've been through all this, Mr Chairman. We raised all this last spring and these guys shot us all down. So that's fine; let's not waste any more time.

The Chair: I'm always anxious to give this committee a chance to undertake certain initiatives.

Mr Tilson: We had all kinds of ideas we put forward to this committee, which the Liberal Party put forward and the Conservative Party put forward, and we were shot down at every angle by the government members of the committee. So this is a silly item to put on the agenda. In fact, it annoys me.

The Chair: I get the feeling that the committee doesn't want to discuss this matter at this time.

Mr Callahan: Can I make a response to that, Mr Chairman?

The Chair: I think you should discuss it with Mr Tilson before you bring it up, Mr Callahan. No, go ahead. I'm sorry.

Mr Callahan: Maybe that's our specific function, to send the auditor out to do an audit and then discuss his audit, but I'd like to see this committee take a more proactive approach within the framework of our standing orders.

For instance, we did an investigation of the alcohol and drug treatment centres in the US with a view to producing a report that might give us some idea how we could do that here and save the cost of going to the US.

The Chair: It was a pretty good report, actually.

Mr Callahan: I think there are other areas like that. For instance, I've just discovered that bone marrow testing can't be done here. It's done in the United States at \$45 per blood sample. I have a young boy in my community who is going to die, because it's not covered by OHIP: It's done in the US and they have to do a very large sample of people, yet that information is fed into a data bank, I understand, at Sick Kids' hospital, so we do get the benefit of that information from it. In fact, these people have to go out and get private donations to do it, and if they don't get enough donations and the family can't afford it, or if you can't get a special LG order to cover it, what happens?

I think those are the areas we should be covering. Maybe it's close to policy and maybe it's not, but I think we could investigate whether part of that cost should be borne by the taxpayers. I don't know, but that's the type of stuff I'd like to get into: how we can better serve the people of the province with the limited funds we have and not throw dollars away and, at the same time, perhaps throw lives away. I don't know quite how to put it, because I don't want to get outside our mandate, but I'd like to find a way to look into that.

I'd also like to find a way of looking into the question—again, it may be borderline policy, which we're not supposed to touch—of why OHIP covers psychiatrists and doesn't cover psychologists in dealing with examinations of young people, or older people, to discern whether they have a learning disability. The proactive nature there is the fact that I think the money we save in doing that is money we won't spend in correctional facilities or drug and alcohol treatments down the line or welfare and the whole bit.

That's where I'd like to be proactive. I'd like to get some idea as to whether we would be overstepping our bounds to take that and whether the auditor can assist us in any way in determining—it's really an auditing of the effects of not doing that, of not carrying out that planning and ensuring that individuals get these assessments done.

I'm not going to be very much longer, Mr Chairman, but I think where we miss out is that many people, the ones who need it the most, the poor, cannot afford the \$1,200 or the \$2,000 for an assessment of their child, and if the school board doesn't do it for them or if the court doesn't order it, these kids never get assessed and they just go on having a learning disability and wind up in our court system or in our jails.

The Chair: Thirty seconds, Mr Callahan.

Mr Callahan: I think that's a very unfair arrangement and I think those are things we should be looking at. It's the question of whether or not that's value for money. Is paying for psychiatrists value for money? With all due respect to them, most of them are either drug therapists or verbal therapists, but I don't think they're necessarily the ones who should help these kids. I think it should be psychologists.

The Chair: I think you've made your point, Mr Callahan. Any further discussion on the matter?

Mr O'Connor: I think you've laid out where we're going to be headed quite clearly. We've debated what we'd like to see put on the agenda in great detail during the last session. I'm looking forward to reviewing what the auditor has prepared for us next Thursday for Toronto Hospital. That probably is going to be more than we'll be able to—it'll certainly keep us going for the next little while without looking for new ideas, but I'm sure there are a lot of new ideas we could take a look at. We didn't look at the psychologists who are on staff in some of the school boards when we had that opportunity, but there certainly are a lot of different areas that I'm sure would intrigue all of us. But I think we've laid out our agenda pretty clearly. I also wonder why it's on our agenda this morning.

The Chair: It's on the agenda for two reasons. Let me be very clear to the committee. One is to remind the committee members of what is coming forward, and that was the Toronto Hospital audit and the registrar general audit. It's been some time since we discussed the matter of the work the auditor's going to do in the Ombudsman's office, we discussed it very late last spring and the early part of the summer. I thought it would be only fair and proper to have members speak on the matter, because a period of time has gone by and sometimes what seemed unimportant two or three months ago all of a sudden becomes very important.

Mr Callahan has brought up a couple of items which are very important in the field of social policy and health care, and maybe, based on what he's told us this morning, we can think about what he's asked us to consider. I know for a fact that Mr Tilson and Mr Cordiano have concerns in areas that have already been discussed. I don't know if their concerns have been alleviated yet.

My feeling is that we should have as complete and open a process as possible on this committee. If we decide we're not going to proceed down one road or another, then that's our decision to make. But to me, just because we said in June that we're not going to discuss something or a variation of different things, it doesn't mean it's been closed for ever. I think I hear the committee. The committee's telling me that we have an agenda between now and Christmas and that's all we have time for.

Moving on: Unfortunately, because this Legislature sat through the entire month of July, members of the committee were not able to accompany myself, Mr Otterman, the clerk and a researcher to the Canadian Council of Public Accounts Committees conference. It would have been very useful for members to have been there.

Mr Callahan: Did you bring us back a lobster?

The Chair: A lobster? No, we didn't bring back any lobsters, but we did spend time making a presentation on the OHIP report this committee had done; it was discussed before the entire delegation and received extensive questions, as we've already noted for you in our report we made when we returned.

1050

It's our responsibility this year to host the conference. As you know, the conference is attended by representatives of every province, the government of Canada and the territories. The chairperson of every public accounts committee and a delegation are invited.

We have placed before you this morning some work that has been prepared by staff as to how we should organize and run this conference. If you're prepared to discuss it this morning and put forward some ideas or concerns you may have, that's fine. If not, we'll have it on the agenda again for next Thursday if you'd rather take a few days to think about it.

Mr Cordiano: It's worth making mention of the fact that very few people—I'm not sure whether the members of this committee constitute a group that's had experience in this regard. I don't know how many members have gone on one of these things: one, a couple maybe? I don't know what we can discuss, members not having had the opportunity to experience one of these conferences; therefore, what's going to constitute the conference with respect to this committee, as we were not allowed to go to the last conference?

I don't think this administration has a great deal of concern for conferences like this. I want to make that point, because I don't think it was necessarily something the government took seriously when the conference was being held outside of the province. We should ask them. Are they going to take this one seriously because it's going to be held in Ontario? I'd like to know that before we proceed, before I actually make suggestions and work on setting an agenda and do any work with this at all.

Mr Duignan: The House was sitting. That was the reason most of the members of the committee didn't go. Plus there's the economic situation in the province.

Mr Cordiano: Excuse me, I have the floor. Let me finish what I was saying.

The government's concerned about members travelling outside of the province, particularly opposition members. I don't feel that the government has been forthcoming with respect to its members travelling around to various conferences. I have no idea what they're doing.

Personally, I don't like to travel, so it's got nothing to do with a personal like for travelling outside of the province. But I do believe there has to be a point at which the government says these things are important or are unimportant. I don't want to have this responsibility unless I know it from the government, because it holds the purse-strings and the House leader can determine whether or not members will participate on these various committees.

We know from past experience that there are conferences that continue to go on despite the economic times. I want to know from the House leader if he takes this

seriously, if he's going to allow us to move forward in this regard and make the necessary plans with some view to what's being asked of us here today. I think we should appropriately ask that of the House leader.

Mr Duignan: Can I make a suggestion, Mr Chair, that he bring it up in discussion with his own House leader and that the three House leaders meet and discuss it at the next House leaders' meeting?

The Chair: I don't like that suggestion. I am not, as Chair of this committee, going to run to any of the House leaders to seek permission to host the Canadian Council of Public Accounts Committees, when we all know that that is our given responsibility for this year. I am not going to do that.

Mr Duignan: I quite agree with you, Mr Chair, but it's been raised by one of your own colleagues.

Mr Cordiano: I raised the point. He doesn't have to agree with me.

Mr O'Connor: For the member opposite who's been raising some significant queries around the ability of this committee and the thoughts of the government, the House was sitting when the last conference did take place, and as to the conference previous to that, this committee had two tasks before it at that same time. It was at the direction of the committee—in fact, the entire committee went to the Board of Internal Economy and came up with the suggestion that half the committee go to the conference and the other half carry on with the investigations that were taking place into the financing and running of drug treatment facilities. It's not something the government has taken lightly and said, "No, you can't do it"; it's something the committee had directed.

I think it's important that we continue with this. I agree with the Chair that it's something we have before us. But there could be a lack of knowledge of what does take place at these conferences, because not all the members of this committee have been to those conferences. During the previous summer when the conference was in Winnipeg I was part of the delegation from this committee looking at the drug treatment facilities, so I never made it to the conference. Maybe we could hear from some of them. I think we have a responsibility to the public accounts committees right across the country. If you have a concern around that, I guess that's something we'll hear from the Board of Internal Economy about.

Mr Cordiano: I do, and that's why I raised the issue. In response to that, I don't think the exclusive reason we did not attend this latest conference was the fact that the House was in session.

Mr Callahan: The board refused us money, did it not?

Mr Cordiano: Well, speaking about the last conference, I don't know if we all decided that we weren't going to go and that the chairman exclusively was going to attend this conference. I don't recall a discussion around that. Correct me if I'm wrong.

The Chair: As to the question of whether or not we had the money, our budget was never discussed and still has not been discussed.

Mr Cordiano: I think there's a serious question here about what we do with these conferences, perhaps not only on this committee but on others. If the government, in its wisdom, would like members of the Legislature not to travel to these various conferences because times are difficult, then make that clear. I think you will find opposition members will be responsive to that, but I think it's incumbent upon the government, the administration, to make its intentions clear.

Mr Callahan: I didn't realize the budget had not been approved. I think I'm between the two members' ideas. I'd like to discuss it because I think it's important but, on the other side of the coin, more and more—and this is not a partisan shot; this is a shot I think committees are going to have to take a stand on, regardless of who's the government—the independence of the committees has to be maintained. We can't be told through indirect ways, either through refusal to approve our budget or whatever, that we can't do this, that or the other thing. Either committees order their own business and that's sacrosanct, or it's not.

The Chair: Under the rules we govern ourselves by here, we do not order our own business. We have to go to the board—

Mr Callahan: But it's been my understanding that the tradition of the House is that a committee orders its own business.

The Chair: Yes, the committee orders its own business, but if the business ordered by the committee requires funds to be spent, that has to be approved by the Board of Internal Economy.

Mr Callahan: But that's precisely my point.

The Chair: I'm not disagreeing with the point you're making. Frankly, I don't know why the members of the committee do not join me at this conference. I have no idea why.

Mr Cordiano: That's the point I'm trying to make, Mr Chair, with respect.

The Chair: Anyway, I want to move forward.

Mr Cordiano: On that point—

The Chair: Order. I want to move forward with what we're going to do here.

Mr Duignan: I was going to suggest the same. We're hosting the conference next year?

The Chair: We're hosting it.

Mr Duignan: I'd like to move a motion to the effect that we do host this conference, and possibly we could set up a subcommittee of this committee to start to look at the arrangements for that conference and the agenda for that conference.

1100

The Chair: Any discussion on the motion?

Mr Cordiano: I'd like to know in advance what kind of funds are being committed to this budget, what the intentions of the Board of Internal Economy are with respect to spending. If we're dealing with an austerity program on the part of the government, then I'd like to know that. I'm

not prepared to plan ahead until I know that. That's my personal point of view.

Mr O'Connor: If I may, I guess what we'd like to see, perhaps, is a suggestion from across there that we have a budget drawn up that could be sent to the Board of Internal Economy, which would be the process we would go through in any case. I think what you've got is a suggestion that would flow with my colleague's suggestion.

Mr Callahan: I think what Mr Cordiano has said makes sense. We'd look pretty silly passing a motion today saying we're going to host it if, when we prepare this budget, we haven't got any dough to do it. I'd prefer to do it the opposite way, which is to prepare a budget. We can discuss how long it will be, how much the registration fees are and all the rest of it in order to prepare the budget. But I don't think we should have on record a motion that we're going to host it. We're going to look stupid, really stupid, if we don't get the funds. I think the budget comes first, and if we get the dough or we get anything near it, we can pass the motion. I guess indirectly we're doing what you want to do.

Mr Duignan: I don't care how you word it. If we're going to draw up a budget to do a conference and then present it to BOIE, it's giving a kind of semi-agreement that we want to host it anyway. Maybe we should strike a committee to look at the budget and the agenda and then present it to the Board of Internal Economy if you want to do it that way, but let's move on from here.

Mr Callahan: How do you strike a budget when you—

The Chair: Well, I don't think we've decided anything; that's the truth of the matter.

Mr Callahan: Well, we could hold it in Brampton at the Holiday Inn; it's close to the airport. Or we could hold it in Windsor and let them gamble themselves to death. I don't like that idea, though; I think Brampton sounds better.

Mr O'Connor: There's Georgina Inn, right on the south shore of Lake Simcoe.

Mr Callahan: No, Brampton's just perfect because it's just close enough—

Interjections.

The Chair: Order. What I'm going to do is ask all the members to review the documentation you have before you. It will be put on the agenda again for next Thursday. What I also want you to do is to consider the time frame for the hosting of this conference. It's traditionally been held—yes, Mr Tilson?

Mr Tilson: I don't care what the wording is. I tend to agree with the concept that's been put forward by Mr Duignan that perhaps we should refer this to a subcommittee.

The Chair: But there are several things we have to accomplish before we do that.

Mr Tilson: Well, the subcommittee can come forward with recommendations and then the committee can tear it apart.

The Chair: Yes, we usually have to do things three times. I'm trying to avoid that, if it's possible. Can we look at this documentation for next week? We'll spend 10

minutes on it at the next committee meeting. I want you to consider the location. We had discussed two possible locations: Toronto and Niagara-on-the-Lake.

Mr Callahan: And Brampton.

The Chair: Those were the locations we had discussed previously. Brampton, Mr Callahan, was not on the previously discussed list.

Mr Callahan: Well, it should be.

The Chair: Yes, it should be. I agree.

Mr Callahan: We've got world-class facilities.

The Chair: We also want to discuss the time frame. It traditionally has been held early in July, if you want to continue that or if you want to push it back into August; I want you to consider that. Then, when we at least get those two or three small matters out of the way, we'll form a subcommittee and go over in detail the agenda for the conference and what we can possibly do to make it as good a conference as possible and as helpful to all of the legislatures, to the territories and to the House of Commons. It's going to have to be given a lot of thought, as far as I'm concerned.

Mr Duignan: A couple of small points. Again, as Mr Tilson—you're asking us to decide on a location for this conference, but how can we do that when we have no idea what the costs are going to be?

Mr Callahan: We have no idea whether it's available either.

Mr Duignan: Yes, so why decide on the location right now, when we have no idea of just those two simple points? Why don't we let a subcommittee look at where the conference can be held, the costs of the locations and whether those places are available to hold a conference, and then come back to this committee with a report? To make a decision on a place to hold a conference when we don't know the costs or the availability of the venue—

The Chair: I don't think there'll be much difference in the cost of the venues, Mr Duignan; I think you know that. I think you're aware that the cost of the venue is not going to be much different, whether we have it here or there.

Mr Callahan: Here or in Brampton.

The Chair: Or in Brampton. We've got to make some decisions and we've got to get the ball rolling.

Mr Callahan: We can get you a special rate.

Mr Frankford: This conference will take place regardless, will it not?

Mr Duignan: No, we haven't we reached that decision yet.

Mr Callahan: It may be at Kortright Conservation Centre.

Mr Duignan: The way we're going, it may be 1994 before we can make a decision on 1993.

The Chair: I would find it very interesting to receive notice from the government of Ontario that it's not prepared to host the Canadian Council of Public Accounts

Committees. I would find that very interesting, and we'd deal with that when the matter came up.

Mr Tilson: Mr Chairman, I believe we will be hosting the conference and—

Mr Callahan: We're not going to Orangeville.

Mr Tilson: My question is to the clerk. I'd like to hear her thoughts as to time frames for reserving facilities, sending out material to other committees across the country, as well as—I can't remember the name of the group, the accountants; I don't know how that worked, but they met at the same time.

Mr Otterman: The Conference of Legislative Auditors.

The Chair: That's it. Presumably there needs to be some coordination with that group, and all this other business could be worked out. I'd like to hear from the clerk as to what her thoughts are.

Clerk of the Committee (Ms Tannis Manikel): With your first point on times frames, I really believe we have to get going right away on booking something. If we're looking at the beginning of July, which is the traditional date, it could be very tight, and that could actually be a component in when we decide on the time. If we're doing it later in the year, of course that gives us a little extra time, a calendar month. So we do have to decide on that and where it's going to be. Those are two very important things.

I anticipate that the subcommittee that will be set up will be working very closely with the group from the auditors on the joint aspects of the conference, mainly the banquets, social events and the joint session between the auditors and the politicians.

The Chair: I hope you appreciate the sense of urgency I was trying to convey earlier on. Please review the material. We'll discuss it for a few moments next week.

Mr Callahan: Just a second. I was on the list.

The Chair: We said we're going to consider Brampton.

Mr Callahan: I want to speak to that, Mr Chairman. Let me put this to you. This is for the benefit of the subcommittee. When we went to the conference in Winnipeg, in order to save money—and I think we should be interested in that, as the public accounts committee—many of the sessions were held in the Legislative Building. I don't remember passing Niagara Falls; I love Niagara Falls, but if we do Niagara Falls, it's going to be a lot more costly because we're going to have to get space for the—

The Chair: I said we would discuss the site and location next week.

Mr Callahan: That's why I'm suggesting Brampton, Mr Chairman, because it's close enough to this area—

The Chair: I appreciate that. So the members are clear now on what we're going to decide next week. Please review your material. We need to decide the time, we need to decide the location, we need to strike a subcommittee to work out all the details. Is there any new business? The committee stands adjourned.

The committee adjourned at 1109.

CONTENTS

Thursday 8 October 1992

Status of special audits	P-81
Committee business	P-84

STANDING COMMITTEE ON PUBLIC ACCOUNTS

***Chair / Président:** Mancini, Remo (Essex South/-Sud L)

***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)

***Callahan, Robert V.** (Brampton South/-Sud L)

Cousens, W. Donald (Markham PC)

***Duignan, Noel** (Halton North/-Nord ND)

***Frankford, Robert** (Scarborough East/-Est ND)

Haeck, Christel (St Catharines-Brock ND)

Hayes, Pat (Essex-Kent ND)

***Johnson, Paul R.** (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)

***O'Connor, Larry** (Durham-York ND)

Sorbara, Gregory S. (York Centre L)

***Tilson, David** (Dufferin-Peel PC)

***In attendance / présents**

Also taking part / Autres participants et participantes:

Jim F. Otterman, acting Provincial Auditor

John Sciarra, administrative assistant to the Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



P-10

P-10

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Journal des débats (Hansard)

Jeudi 15 octobre 1992

Standing committee on public accounts

Special audit on
Toronto General Division of
Toronto Hospital

Comité permanent des comptes publics

Vérification particulière
sur la division Toronto General
de l'Hôpital de Toronto

Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Renseignements sur l'index

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 15 October 1992

The committee met at 1006 in room 151.

REVIEW OF SPECIAL AUDIT ON TORONTO GENERAL DIVISION OF THE TORONTO HOSPITAL

The Chair (Mr Remo Mancini): I see a quorum. The standing committee on public accounts is called to order.

As agreed to last week, we have asked the auditor to bring forward the report on the audit of the Toronto General division of the Toronto Hospital. The report is dated October 6, 1992. The acting Provincial Auditor has sent us a note, that we should recall. It says, "Pursuant to a motion passed by the committee," meaning the standing committee on public accounts, "at its May 14, 1992, meeting, we have completed and are attaching a report on the audit of the Toronto General division of the Toronto Hospital." I'd like to ask the auditor to take us through the report, please.

While we're waiting on Mr Mishchenko, did the members of the committee get a chance to review that documentation I left with you last week in regard to the annual meeting of the Canadian Council of Public Accounts Committees? Anybody get a chance to review that?

Mr Larry O'Connor (Durham-York): The clerk is heading in the right direction with it, and I look forward to seeing what else she brings forward. Have we sent a letter from the committee to the Board of Internal Economy, as suggested by—

The Chair: No, because we haven't decided on anything. We're going to have to decide on a few things before we can send them a letter.

Mr O'Connor: I guess we have to wait for a discussion to take place.

The Chair: Maybe, if we have time today, we'll do that. Mr Mishchenko, you're on board here.

Mr Nick J. Mishchenko: Sorry about that.

Mr Jim F. Otterman: Mr Chair, maybe I could start it off by giving a very brief overview. The report essentially deals with the major items in the motion of the committee involving concerns expressed around the new computer equipment at the Toronto General division of the hospital, contracts with Begley and Associates, and recent renovation and construction projects at the Toronto General division.

We also took into account other matters that were raised at the previous hearings; primarily, these involved various purchases, acquisitions of one type of equipment or service or another.

Essentially, we were able to provide an overall conclusion that the concerns raised, with the exception of operating problems with the new computer system, were generally without substance or were overstated. We've included in our report a fair bit of information on each of the areas we looked at, so that all the facts will be available to you to ensure understanding of the concerns raised.

With that, we'd be pleased to carry you through the rest of the report on an item-by-item basis or turn it open for questioning.

The Chair: I would prefer that we go through this report very carefully item by item, so that I and all the members of the committee and the members of the public who are watching understand exactly what it was that the committee had asked to be done and exactly what it was that the auditor's office had found. So I'm not in any hurry to skip through this report. This involved a lot of time and effort, and I want to make sure that all the members are aware of exactly what the conclusions are and understand those conclusions. I hope we can do that.

Mr Otterman: With that, Nick, let's start with the computer equipment.

Mr Mishchenko: The first section of the audit that we covered was the new computer equipment at the Toronto General division; that's primarily what's called the Ulticare system, a patient care system which the hospital started purchasing back in 1985. This system is still in developmental stages. There are a number of phases of the system that are still being implemented. Between 1985 and 1992 there were a lot of problems, I guess, with the implementation. There were some difficulties that the hospital was encountering with a number of the systems that were being added on to the patient care system. The hospital recognized that there were problems and has been trying to take corrective action during that time frame.

The total cost of the system, the capital cost of the system, is approximately \$22.7 million since the time they first started purchasing the system. In addition, there's been about \$4.5 million in operating costs during that phase. Again, as I mentioned earlier, the system hasn't been fully implemented yet. They're still working on it.

The hospital purchased the system from a company in California. Initially, Toronto General was trying to develop a system of its own, but realizing that there was already a company that was further ahead in developing a system and had already tested some different modules, it felt that this was a better approach for it than developing its own. So as a result, they contracted with this firm in California to put the system into Toronto General. It is the biggest system the firm has ever put on, Toronto General being a significantly larger hospital than a lot of other hospitals that have this system. Also, they were putting on a lot more modules than were in the other facilities.

I'm not sure whether you wanted me to explain whether the allegation—

The Chair: Yes.

Mr Mishchenko: Each individual one? Okay.

The first allegation we dealt with was the cost of the system. I guess what was discussed in the committee meeting

on May 7 of this year was that the system cost approximately \$85 million. As I mentioned earlier, the cost that we were able to arrive at for the system by going through all the invoices and purchase requisitions and contracts with the supplier was \$22.7 million for the capital cost and \$4.5 million for the operating cost, bringing the total cost to \$27.2 million as of June 30 of this year.

Interjection: It was \$22.7 million?

Mr Mishchenko: Yes, \$22.7 million plus \$4.5 million, so it's \$27.2 million. This is on page 4 of our report.

The next concern raised was that operating funds had been used to cover the cost of the computers. We were able to find no evidence that that was the case. The funding for the computer came from the hospital's endowment fund, and it was all properly recorded as a capital cost. There was no evidence that there were operating funds used for those purposes.

The next concern was that the system was purchased from a company in California and it cannot be serviced locally. As I mentioned earlier, that's correct: The system was purchased from a company called Health Data Sciences in California, Burbank I think, and it does provide the software service for the system. They have proprietary ownership over the system, so of course they're the only ones that can service the software. The hospital feels that from its perspective it's still cheaper to go that route than have the company set up an office in Toronto to provide that type of service.

The hardware is supplied by a company that has an office in Toronto. Accordingly, any service relating to the hardware is provided by that company locally.

The Chair: It says here, "The hospital has a software maintenance contract with HDS, which includes four visits per year at no additional cost." Did you find out how many actual visits per year were made, whether there were three or 15, and what the cost of that was? Were you able to compare that cost with other costs in maybe different institutions?

Mr Mishchenko: No, we don't have any information on costs for different institutions.

The Chair: On the comparative costs?

Mr Mishchenko: No. This is the only system in Canada that's been supplied by HDS, as far as we understand, plus there's one in Quebec now, but I'm not sure where that one stands, whether that's been finalized or not.

The software maintenance costs are approximately \$350,000 a year.

The Chair: Is that a contract?

Mr Mishchenko: It's a contract, yes. I'm not sure on the number of visits per year. It's more on an as-needed basis. At one time, HDS actually had an individual located at the hospital on a full-time basis in the implementation stages. However, that was felt no longer necessary, so that's why they went with this contract.

Mr Bernard Grandmaître (Ottawa East): Was this known from day one, the fact that it can't be serviced locally?

Mr Mishchenko: Yes. Apparently it's pretty common for these types of systems. The majority of systems of this nature are manufactured in the United States, and a software manufacturer, more for the protection of its development of that software, would not be willing to contract that out to somebody else. There's a proprietary interest there and as a result they would not. You'd have to do that regardless of where you bought it from, whatever the company was. The question is that if there was a company in Toronto, it would be a different story, but apparently there isn't.

The hospital did a significant amount of research back in 1985, which was evidenced in the board meetings of the hospital. When they made the decision to go with the HDS system, they had determined that this was the best system available at that time. But yes, it was clear that it was from California.

The Chair: Anything further, Mr Grandmaître?

Mr Grandmaître: Thanks.

Mr Robert Frankford (Scarborough East): I wonder if we could have a better explanation of what the whole system is and what it does, maybe not now, but I certainly would feel that it would be useful to know more precisely what we're dealing with.

The Chair: Let me see if it's more appropriate to do it now or later on.

Mr Mishchenko: We'll be going through some of the intricacies of the system as we go along, and if you have any specific questions, I'll answer them then, if you want.

The Chair: How's that, Dr Frankford? Some of your questions are going to be answered as we go along, and if they're not, we'll get a better briefing at the conclusion.

Mr Frankford: Is this just something that is at the bedside, or is it—

Mr Mishchenko: It's at the bedside, yes. There's a terminal located in each patient room where the doctors or nurses can input information as a patient is receiving treatment or they can obtain information as well as to what type of test results there have been and things of that nature. It's continuously being used in that process. There are terminals in each room and there are terminals at the nurses' station and terminals throughout the hospital.

Mr Frankford: What about outpatient clinics and individual doctors' outside offices?

Mr Mishchenko: I'm not sure if individual doctors' offices have them. There are a lot of terminals. I'm not sure if every single doctor would have one, but there may be terminals available to individual doctors.

Mr Frankford: But it would include outpatient clinics?

Mr Mishchenko: Outpatient clinics in that hospital, yes.

Mr Frankford: And every registered outpatient would be entered into it?

Mr Mishchenko: Yes.

The Chair: Any further questions, Dr Frankford? Is that okay for right now?

Mr Frankford: Thank you, yes.

1020

The Chair: I'm sorry, I should have asked this question about five minutes ago. Someone asked me about the tendering of the original \$25-million or \$22-million contract, whatever that big number was. How was that done?

Mr Mishchenko: I don't think we actually looked into the tendering process as part of it. We know they acquired it through getting information from what's available out there, but no, we didn't look at the actual tender. It wasn't one of the concerns that was raised.

The Chair: So you don't know if tenders were submitted by one, two or 15 companies and you don't know if the lowest tender was chosen? We don't know any of these things?

Mr Mishchenko: The best we could determine—you have to remember, we're going back a long time. Back in 1985 there weren't a lot of systems available to purchase, even in the United States.

The Chair: Can I request an addendum to this report? I think it's appropriate for us to know how it was tendered; whether there was a fair tender, whether people were asked to tender, whether there were only two people in the entire world, or two companies in the entire world, who could provide this product and those two were asked to submit bids. I think it's a—yes, Mr Cousens?

Mr W. Donald Cousens (Markham): After you, Mr Chair.

The Chair: I'm finished.

Mr Cousens: I thank you for asking for that guideline. If this is possible and not too much effort, it would be good. The report that has come back from the Provincial Auditor is extremely helpful and again I commend them for their efforts.

I wonder if you looked in any way at the guidelines established by the Ministry of Health for hospitals in the acquisition of computer systems. To what extent was the ministry involved and did they have guidelines to assist hospitals? There are 222 hospitals. That's what Elinor Caplan used to say. It reminded me of—instead of ASAs, 222s. There's probably 221 or less today. It's certainly a lot fewer hospital beds. What guidelines has the Ministry of Health ever given in these decisions?

Mr Mishchenko: I'm not aware what the guidelines are for the Ministry of Health. However, I think the Ministry of Health is taking the position that when it comes to the acquisition of systems of this nature the ministry does not provide any funding for the acquisition; it's the hospital's responsibility to provide the funding. As a result, we found no indication where the Ministry of Health was involved in the initial stages with the hospital in discussing the system, what kind of system they were going to put in place, whatever. To us it appears it was a hospital-generated decision to go ahead and implement a system of this nature.

Mr Cousens: Not that you'd ever want to have a central bureaucracy as we had at one time in other countries, in the Soviet Union where they said everything had to be a certain way, but there should be some way in which, I would think, the ministry would have some form of consultative

assistance available to the health care industry and service agencies across Ontario.

It's certainly evident in the Ministry of Municipal Affairs, where there are specialists from within the Ministry of Municipal Affairs who assist different municipalities in setting up and doing things. Certain fundamental criteria are met for a successful installation without telling them how they have to do it. Municipal Affairs is very anxious to see that the reports come back in a certain way and they've even come along and given funding, back in the early 1980s, so that they would do certain kinds of computerization. In fact, it happens now through the Ministry of the Environment where there is certain funding to do certain things.

It surprises me that the Ministry of Health has had a hands-off policy, as you describe it. It may be one of those issues, Mr Chairman, or through to Ray McLellan in research, where we do some review of the guidelines established by the Ministry of Health and the services they can and should be giving to assist hospitals in staying on track within a broad set of guidelines that will not permit this kind of—

Mr Otterman: It is no surprise to the Provincial Auditor that such guidelines or practices don't exist. If you refer to many of our previous reports which cover everything from monitoring the services they provide, including monitoring their budgets and the statements of expenditure, the inability to get information about foundations and the total funding available to hospitals, you will see that it is very much a hands-off accountability framework. Unless they are funding specific capital items, there will be very few conditions attached to any expenditures of that nature.

The Chair: If we could conclude.

Mr Cousens: I will, and I thank you, and I think that Mr Otterman's point would raise really a second issue for us to consider in our final report, and that is that we continue to look for ways in which the Provincial Auditor can have total access to all records that pertain to hospitals and health care, and that should be one of the areas of emphasis that we look at.

The Chair: Mr O'Connor, then Mr Frankford.

Mr O'Connor: More of a general comment. I was hoping that perhaps we can proceed through the report and then maybe hold some of our questions that seem to be in a more general nature towards the end, because I think we should try to have some continuity to this and it might flow a little easier. Our time is limited.

The Chair: I agree. Thanks for the advice.

Mr Frankford: I was wondering if there are articles in technical journals about this system or any press releases or any coverage so we could get some historical perspective on what was anticipated when the system was installed.

The Chair: That's a very good question. Is any of that documentation available?

Mr Mishchenko: Yes, we could supply some material.

The Chair: Could we get it out to the committee members as soon as we can? You have it now?

Mr Mishchenko: We have it here.

The Chair: Is that all right? We'll get it out this afternoon.

Does the committee agree we're going to ask for an addendum to this report to find out about the tendering process for the big contract? Is there a problem with that, anybody? No? Okay. Yes, go ahead.

Mr Otterman: Just for the record, Mr Chair, I have no problem with that. As Mr Mishchenko alluded to, it was not a major concern of ours, and that was mainly influenced by the result of our other work which covered the tendering area, particularly in the contracting.

The Chair: I've been asked for a one-minute recess because our sound system is not going through Hansard. It's not being properly recorded. Could we recess until 10:30? Please don't go away.

The committee recessed at 1027 and resumed at 1029.

The Chair: I'm told the sound system is in order again, so we'll carry on.

Mr Mishchenko: The next issue was that the hospital had spent \$85 million on the direct purchase of a patient care system that does not work. The system is being used, there's no question about that; it's continuously being used by hospital staff. It has definitely not met all the expectations that the hospital originally had for the system. They've run into some significant problems related primarily to the hardware, but there have also been some software problems. In January 1991 the president of the hospital actually raised these concerns with the manufacturer, saying that, as it stands, the system wasn't acceptable.

In 1991 as well, the new president of the hospital commissioned both internal and external reviews to be done of the system to see whether the system was meeting the expectations. If it wasn't, why not, whether the system was still the system they should continue with or whether they should scrap it, and if it was a system that was workable, could it handle all the applications they were planning to put on the system.

The results of those reviews indicated there was a fairly reasonable level of satisfaction from staff that the system was useful. However, there were concerns about the amount of downtime. The system had a lot of problems with breakdowns and things of that nature and as a result it caused some problems for staff getting access to information as quickly as they would have liked. So the problems basically revolved around that. Most of the concerns the staff raised in those two studies that were done were that the system was not operating as quickly as they would like and they were not happy with the amount of problems they were having with downtime, recovery and things of that nature.

The Chair: Can I just interrupt for a moment? Members and also myself have just received this report. We're basically looking at it for the first time. I'm starting to concur more and more with Dr Frankford. It's very difficult to get a hold on what \$85 million was used for when we describe it as the direct purchase of a patient care computer system. It doesn't tell us a whole lot and therefore it's difficult to put a lot of the other comments that are being made into proper perspective. I think if it's agreeable

with the committee, maybe when we're finished we're going to have to require some further briefings on what these things actually do. I hope that's all right with your office too.

Mr Mishchenko: Sure.

The Chair: It's very difficult for us to be able to put A and C together when we don't quite understand what B is.

Mr Mishchenko: It took us a long time to put it together as well, as we were doing the audit, but it wasn't \$85 million; it was \$27.2 million. The concern was that it was \$85 million.

The Chair: That was the allegation, yes.

Mr Mishchenko: But the actual cost was \$27.2 million.

The Chair: I want to correct that. The \$85 million was not the cost. The \$85 million was the allegation, and the cost came in at something like \$27 million.

Mr Mishchenko: It was \$27.2 million.

The Chair: I want to make sure the record is very clear on that.

Mr Mishchenko: We can give you an overview on the system whenever you want, a rundown.

Mr Stephen Owens (Scarborough Centre): In terms of your comments with respect to the committee only receiving the report today, that's quite correct. My question is to Mr Otterman. I received a call from Mr Ron Morrow, the Canadian Union of Public Employees staff representative. He indicated to me that he was contacted by the Toronto Hospital Corp, his recollection was more than a week ago, by the secretary to the president, Dr Allan Hudson, and a couple of things were said: first, that they had a draft copy of the report, and second, that they were cleared of any allegations of wrongdoing.

I guess my question is in terms of process. Is it appropriate that a report is shared with the auditee prior to its coming to committee? If that is the process, why were not all parties given access to this report, if the view was to ensure the accuracy of the information that was given?

The Chair: I'd ask the auditor to answer that question.

Mr Otterman: The normal procedure is to review a draft report with the auditee in all the audits. In the case of the other people involved, the union representatives, we reviewed orally with that union representative, speaking from the draft report, to make sure of the factual accuracy from their side and also from the hospital side. As far as bringing the report to your attention, I believe it was transmitted to the clerk this Tuesday.

The Chair: Okay, now that we know that is common and customary practice, let's continue.

Mr Mishchenko: The next concern raised, on page 6 of the report and starting on page 7 as well: "Each department has developed its own internal system. Accordingly, the proposed benefits of an integrated computer system have disappeared."

It's not true that each department has developed its own internal system. There are a number of systems that are on the Ulticare system now that are fully run by that

system. However, there definitely are some applications that aren't on the system now and some that likely will never be. For example, what happened back in May and June 1991 is that the biochemistry application at Toronto General Hospital was put on to the system and it failed, so it was taken off the system.

In addition, the medical records department has purchased a standalone system because it didn't feel that the Ulticare system was adequate for the statistical reporting information that was required to operate the department.

While there is a pharmacy application available to be put on Ulticare, it doesn't look like it will be put on the system now, and I think a lot of that, really, is because of the problems they've had with maybe going a little bit over capacity. The system couldn't handle all the applications that were going to be put on there.

The hospital now has gone back to the manufacturer of the disc storage equipment, requiring it to provide them with more capable equipment that can handle a lot of the things that the hospital wanted to put on the system, and that apparently will be done some time this month. They're still hoping that it'll be finished by the end of October. But one of the biggest problems they had was that these storage devices they had weren't up to scratch. They were having a lot of disc failures.

Mr Cousens: Is there any way in which we can recover any money from the manufacturer, when you indicate that there were defects in disc storage devices, that it failed to live up to standards that would have been in any basic government contract with the computer vendor?

Mr Mishchenko: The action the hospital wanted, really, was for them to replace the equipment, which they are doing at no additional cost to the hospital.

Mr Cousens: Would there be any benefit to the hospital to also sue for lost time, people's investment, expectation and other services that are lost because of it?

Mr Mishchenko: We understand that there were discussions about the possibility of taking some sort of action. Unfortunately, I think there was some concern about the contract itself, as to what ramifications or what possibilities there were. I keep referring back to my colleague here, but he's the individual who's more familiar with that aspect of it.

Mr Cousens: Oh, that's all right. We'd be glad if you sat at the table.

The Chair: I've asked one of the other officials from the auditor's office to join us at the table. It seems he has some knowledge about the matter, and it might be helpful as our colleagues ask their questions. Any further questions on this?

Mr Cousens: Does he have any further response to give with regard to—

Mr Mishchenko: I don't think so. I think the hospital pretty well felt that if it could get the equipment and it would provide what was wanted and it was satisfactory, that would satisfy it.

Mr Cousens: What's the value of the equipment today? It was worth X dollars then, \$21 million or something.

What's it worth today with the pricing of the product as it's gone down?

Mr Mishchenko: I wouldn't have any idea on that at all.

Mr Cousens: It's probably worth less than half the price they paid for it?

Mr Mishchenko: Definitely some of the terminals that were acquired years ago would be cheaper today than they were five years ago or six years ago.

Mr Cousens: If that's five and six years ago, you're talking maybe 25%.

Mr Mishchenko: If you depreciated it at 30%, you'd probably get it down close to zero, from a financial perspective, but that's common with computer equipment.

The Chair: Anybody else? No? Okay, let's carry on.

Mr Mishchenko: The next concern was that there were computer terminals in storage that have never been used and probably never will be. There are definitely computer terminals in storage. The hospital has closed down a number of beds in the last few years, and as a result, of the 3,000 terminals that were acquired for the system, about 300 are currently not in use.

In addition, the hospital sold 193 terminals a couple of years ago, not because there was a surplus of terminals; these terminals actually were defective. There were some problems with them, so the hospital felt it would be better just to dispose of them through a sale to another company. The terminals would still function well for the company that purchased them because of the different access methodology that was being used, but they weren't functioning properly for the hospital. They had been in use for a number of years; they weren't new terminals that were defective and automatically sold.

One of the other concerns raised is that there were computer terminals that had been compacted and destroyed before they had been used. We found no evidence of that. A union representative was able to give us the asset number of one terminal which was alleged to have been disposed of in such a fashion. However, it wasn't part of the Ulticare system; it appears it was part of the financial system. It wasn't a new terminal; it was an old terminal. The other 25 terminals that have been disposed of were ones that could no longer be repaired.

1040

Mr Owens: In terms of the 25 terminals that were disposed of because they couldn't be repaired, do you have any understanding of how old these terminals were, and was there any attempt by the hospital to recover any kind of dollar value for the terminals?

Mr Mishchenko: The warranty periods for equipment of that nature are quite short. The depreciated value of those terminals would be fairly low by the time they were disposed of, but I don't know if they recovered anything from the company or not. We're not aware of that. I don't think so.

The Acting Chair (Mr Michael Brown): More questions? No? Then we can move along.

Mr Mishchenko: The next concern was that there was a \$5-million computer mainframe purchased which is

unusable and which was bought to go into the system. It had been sitting uncrated on a loading dock for a number of years. The concern was that this had been purchased from a manufacturer in Korea. It was never installed because it didn't meet CSA standards. We weren't able to find any evidence of this concern. The union representatives did take us to two crates that they felt were the equipment they referred to. However, it turned out to be laboratory equipment, not computer equipment. They had the crates opened, and they looked at them and determined it was definitely not computer equipment.

We also reviewed all the records we could. We not only looked for \$5 million; we looked for any major piece of equipment that could have been bought in the last number of years, assuming that maybe the \$5 million was incorrect, to see if there were any pieces of equipment that were unaccounted for, and we found no record of anything of that nature.

Mr Owens: How many years did you go back?

Mr Mishchenko: We went back to 1985, which is when they started acquiring the equipment.

Mr Owens: They started acquiring the Ulticare system?

Mr Mishchenko: Right.

Mr Owens: So the possibility exists that there perhaps may have been a mainframe purchased. I guess my concern about the way this issue is set out is how the allegation was distilled. My understanding of the allegation is that there was in fact a \$3-million Perkin Elmer mainframe that had been purchased prior to the installation of Ulticare and that the Perkin Elmer mainframe that had not been used was in fact used as some type of barter in order to reduce the price of the Ulticare system.

The issue of the CSA standards was in fact not an issue with respect to the mainframe but the computers at the bedside. I've asked the clerk to see if we can get the Hansard of the day the union appeared just to make sure my determination is correct and not just working on memory. I looked at the way this is set out, and it didn't quite ring as I thought I had heard the concern.

Mr Mishchenko: We raised each of these concerns with the union representative to make sure we were accurate as to what we were referring to. We're aware of the Perkin Elmer system. It was traded in; it was part of the deal with HDS. It was a former system the hospital had and it traded it in as part of the deal with HDS for this new system.

Mr Owens: I'm just wondering if one part of the story had become mixed with another part of a different story.

Mr Mishchenko: I don't think so. I think we were pretty careful to ensure that wasn't the case, and we had discussed that with the union president numerous times during the course of our audit.

The next concern raised was that the president of the nurses' union had made submissions to people in Quebec who are buying the system that the system was dangerous. The concern was that he had cited an example of a patient who went into the operating room in 1991; there was incorrect information on the screen and the patient was given

incorrect drugs as a result. Apparently this was not an isolated incident.

We were unable to find any evidence that this system is actually dangerous for patients, and neither the internal nor external reviews indicated anything of that nature.

We also met with the president of the union who was named in the concern and he was not able to confirm that this had existed. He was not sure where the allegation or the concern had come from with respect to the incorrect information being given about a patient.

He did meet with a Quebec hospital union and most of the concerns he had with these people—it wasn't a formal submission; it actually was over dinner, I think, in Toronto, where the individuals sat down and discussed what the nurses' union thought of this new system that was being implemented at Toronto General Hospital. The main concerns he raised with these representatives were that the system was very slow and seemed to be down an unacceptable number of times, which caused problems for nursing staff to get information put on to the system.

The Chair: You used the word "denied" in your report. Were those his words, or was it just an outright denial of the allegations?

Mr Mishchenko: Just an outright denial, yes.

Mr Grandmaitre: Were the Quebec people dealing with the same company as we were?

Mr Mishchenko: Yes, they were. It was a hospital in Sherbrooke, Quebec, that was considering implementing this system.

Mr Grandmaitre: Considering. I see.

Mr Mishchenko: At that time, yes.

Mr Owens: Mr McClelland has been good enough to share his copy of Hansard with me. Hansard does indicate, as is printed in the report, that the mainframe in fact was problematic with respect to CSA. The issue with respect to the mainframe is not really clear in terms of Hansard, about whether it was purchased for installation with Ulticare or had been purchased prior to the installation. My concern was that the allegation, as distilled, lacked clarity and that I thought I had heard differently in terms of what the concerns were around the issue of the mainframe and the patient computers at the bedside.

Mr Otterman: Mr Chair, perhaps I could respond to that. I think Mr Mishchenko has indicated that we've had many meetings with the union people and certainly the opportunity was there to clarify any of these things and help point us in the right direction. So all I can say is, if you had that understanding, that information was not presented to us by the people we spoke with.

Mr Owens: It would certainly be their responsibility to do that.

Mr Otterman: It would be helpful.

The Chair: Okay? Let's carry on.

Mr Mishchenko: The next concern dealt with patient files having been lost; billing statements and billing accounts being mixed up or lost in the system.

We were unable to find any evidence that patient files had been lost. There was a document provided by the

union representative at the meeting with the committee dealing with problems with the patient billing system, which we did follow up.

1050

Back in 1990, the finance department—and it was actually raised by one of the staff in the finance department—was concerned. I think what had happened is that a patient had been overbilled, and as a result of that, they went back to the system to find out how that could have occurred and realized there were some problems with billings dealing with only the Toronto Western division. They didn't have any problems with Toronto General.

What had happened is basically there was some bug in the system that resulted in incorrect information being inputted into the financial system, and as a result, some patients could get overbilled, some could get underbilled and some may not get billed for certain charges that they could have incurred during the time they were at the hospital.

This was near year-end, so there was a real concern on the part of the hospital to make sure that everything got taken care of before it came time to have its audited financial statements prepared, because there could be some concern with that if it was significant.

The hospital took corrective action as quickly as it could, and it basically went back into the system and made sure that any transfers that should have been made were made, and were made properly. We were able to find evidence of that.

Mr Frankford: On a point of clarification: The files we're talking about are computer files or paper files?

Mr Mishchenko: Vince? Basically computer files.

Mr Frankford: Are we talking about computer files or paper files?

Mr Vince Mazzone: You'll have to refresh me, sorry. Is it on page 9?

Mr Mishchenko: Yes.

Mr Mazzone: On the patient billing, was that a computer file or paper file?

Mr Mishchenko: It was a computer file.

Mr Frankford: And we're also talking about direct billings to patients?

Mr Mazzone: It's a computerized accounting system which interfaces with the Ulticare system that provides billing information or information that would require billing. That information was not properly transferred from the Ulticare system to the financial system, and that's where the problem was. It was on the transfer.

Mr Frankford: And this is direct billing to patients?

Mr Mazzone: That's right.

Mr Frankford: And that's all.

Mr Mazzone: Yes.

The Chair: Anything else?

Mr Frankford: No, that's fine. Thank you.

The Chair: Can I ask if there was a certain percentage figure of misinformation being put into computer records, for whatever reasons? I don't want to go into the reasons right now, but was it 1% of all information, 5% of all

information, and is there a standard figure in the industry that allows for such mistakes? If there is, is this comparable to whatever else is going on?

Mr Mishchenko: I wouldn't be able to tell you what the industry standard is or what the percentages were. All we know is that whatever the errors were, they were corrected, and that's the best information I can provide you with. I think Vince has a little bit of information on that.

Mr Mazzone: The problem occurred over a four-month period and I think it affected some potential of 400,000, but they were unclear. They had to go back and—

The Chair: That's 400,000 what?

Mr Mazzone: It was \$400,000.

The Chair: Order, please. I can't hear the answer. Sorry, go ahead.

Mr Mazzone: I think there was a potential of up to \$400,000 of transactions. I can't remember totally but it was over a four-month period and there were both positive and negative charges that could have arisen.

The Chair: So there was \$400,000 incorrectly stored over three or four months potentially. That was over three months, you said?

Mr Mazzone: Four.

The Chair: Over four months. Would it be fair to multiple that by three to get the yearly figure?

Mr Mazzone: No. It was just over that exact period.

The Chair: It didn't happen before.

Mr Mazzone: It didn't happen before that. They went back to that one isolated period and corrected it. That was the recovery process that was followed.

The Chair: Okay. Next?

Mr Mishchenko: The next concern was that the Ontario Nurses' Association found that the former president of the hospital had shares in HDS while the individual was the president of the hospital and that various former directors of labour relations from the hospital are working with the company in high administration levels. As well, the vice-president of nursing for the Toronto Hospital also had shares in HDS and a company from which the hospital bought its case management system.

I'll deal with the shares in HDS first of all. We did speak with the representative from the Ontario Nurses' Association, who, we were told, was the individual who had this information. This individual denied any knowledge of the former president or of the vice-president of nursing having any shares in the company.

We obtained in writing from the president of HDS confirmation that this was the case, that there was no financial interest of any nature by these individuals in the company. We also obtained confirmation from the company that it had not hired any former employees of the Toronto Hospital in any capacity. Any questions on that before I move on to the next stage? Okay.

The next issue dealt with the vice-president of nursing having shares in a company from which the hospital bought its case management system. That is correct; however, that was known right up front, when the hospital

hired this individual. One of the reasons for hiring the individual was because of that individual's knowledge of the system that the hospital was putting in place.

I just let you know that the case management system is not the patient care system. They are two distinct systems. I'll explain a little bit later on what the patient management system is. The patient care system is the HDS system. The system with respect to case management is purchased from a completely different company and basically has no ties with the Ulticare system.

We did obtain confirmation that yes indeed, this individual was the owner of the company that provided the case management system and the vice-president of nursing and it was in her employment agreement, in the contract with the hospital, right up front, that she could be the owner of the company and would spend one day a month on business related to that company as part of the agreement with the hospital.

The Chair: I have a question. Your report states that the hospital acquired consulting services for case management from the centre from April 1989 to December 1990. What was the cost of that contract?

Mr Mazzone: I believe \$218,000 was spent over the entire period. It was not on a fee-for-service basis, so it varied monthly.

Mr Mishchenko: That would include travelling costs of individuals coming up to take advantage—

The Chair: Some \$218,000? Is that 15 months or 18 months? I'm having trouble seeing this. Is that about 18 months?

Mr Mishchenko: Yes, a little more than that. Pretty close, about 20 months.

The Chair: So there was \$218,000 of services bought over 18 months from this individual's company. Then your report goes on to state that on June 22, 1989, the then president of the centre, the person whom we're referring to in regard to the \$218,000, was offered the position of vice-president of nursing at the hospital, effective October. Do we know what the salary offer was for that person?

Mr Mishchenko: No, we don't.

The Chair: Is that information available?

Mr Mishchenko: I'm not sure what the hospital's position would be on providing that information. We don't have it. You'd have to obtain it from them.

The Chair: You have no ability to get that information?

Mr Mishchenko: We could ask for it. I'm not sure that we would get it.

The Chair: Okay.

Mr Otterman: I think, Mr Chair, if I may, when you get into the salary information related to individuals, we have to be careful on the protection of privacy. At best we could get the ranges, if this committee so directed or asked.

The Chair: I think it would be helpful to get the range of salary.

The other thing is, this year we were advised in writing by the vice-president of nursing, and that refers to the individual who has the \$218,000 contract, that the centre was closed in May 1991. Was there any reason for that centre being closed in May 1991? If you can bill only one institution for \$218,000 over a period of 18 months while at the same time having a full-time job, why would anyone close the centre? It does not make financial sense.

Mr Mishchenko: We did not pursue the issue with this individual.

1100

Mr Mazzone: The payments made to the centre were not for the EP and nursing services. They were made for other staff who were hired by the centre. There were other individuals who have come up from the centre, from I believe it was Boston, and worked at the hospital and provided their consulting services. So there were other costs involved.

The Chair: I'm sure there were. Okay, any other questions?

Mr Michael A. Brown (Algoma-Manitoulin): Following the termination of that contract, was there a replacement contract issued?

Mr Mishchenko: No, there have been no further payments made to the company since that time.

Mr Brown: No, I didn't mean to that particular company. I'm wondering where the hospital would receive the service or find the services that were being provided by that particular company following the termination of that company.

Mr Mishchenko: Once the system was put in place, in December 1990, the hospital had received all it needed from that particular company. It had obtained all the care maps and things of that nature that it needed for the patients. As well, the appropriate training had been provided to hospital staff for the hospital to continue on its own, not requiring any further services.

Mr Brown: What you're really saying is that particular project of the hospital was complete.

Mr Mishchenko: It was complete to the point that the hospital felt it could now take care of it itself, but there are still some concerns with the system, and the hospital has done some studies to determine whether it should continue with the system, modify the system, or there was even discussion of abandoning it. However, it looks now like they will continue with a system similar to this, with maybe some modifications. But they're still working on it. They haven't determined that yet.

Mr Brown: Then it would be fair to say they had hired outside consultants to do this work?

Mr Mishchenko: No.

Mr Brown: No? It was all done in house?

Mr Mishchenko: To date, yes.

Mr Frankford: Could I ask if there are any articles in medical journals about case management, particularly the Toronto Hospital experience?

Mr Mishchenko: Do we have anything?

Mr Mazzone: I have a pamphlet or a brochure on case management and what it's all about. I don't believe I recall any write-ups in medical journals regarding it, but it's basically a very fundamental or an objective-oriented type of approach for care. Basically what it is, you have a map of the anticipated events that are going to happen over this patient's stay. It's mapped out over the period, and the map is also provided to the patient so he or she knows exactly what he or she can expect, based on years and years of experience on this same type of ailment and treatment.

Mr Mishchenko: I'll provide the pamphlet if you'd like the pamphlet.

Mr Frankford: Yes, sure.

The Chair: Any further questions on this point?

Mr Mishchenko: That basically wraps up the section dealing with the computer system.

Mr Otterman: Perhaps at this point, before we move away from the equipment and software system, your early question was about tendering and whether we could provide you with some information on that. I believe Mr Mazzone is able to provide at least an overview at this stage to be helpful to the committee.

Mr Mazzone: The information we have basically comes from board minutes we've had access to. According to the president at the time, there were approximately three systems reviewed, maybe a little more background, at the time they were developing their own system in-house, getting back to your comment on the Perkin Elmer system they had acquired.

I believe they were somewhat along and then they realized there were better systems available at the time. During the time, there were a lot of developmental systems similar to that which they were developing themselves. There was one system that was up and running in Beaumont Hospital in the United States. They sent 10 representatives of the hospital down there to view it. It was an up and running, functional system and they were quite pleased with the system.

I believe they reviewed two other systems and concluded that this system they purchased, which was supplied by HDS, was the furthest along and offered the most financial benefits to the hospital for the long-term period. So at that point they decided to discontinue the system they were developing in-house and contract with HDS directly.

The Chair: I appreciate the information. I'm not going to say whether I like how it was done, but certainly in my view it's not the traditional method of spending many millions of dollars.

Mr Noel Duignan (Halton North): You mentioned the fact that you had access to the board minutes. Did you have free access to all the board minutes or were they just selective minutes of meetings?

Mr Mazzone: Selective minutes.

Mr Duignan: So the board selected the minutes for you to review?

Mr Mishchenko: We didn't review all the minutes, but we did ask for minutes pertaining to specific issues dealing with my notes.

Mr Duignan: They supplied you with all those minutes or did they select various parts of those minutes just to give to you?

Mr Mishchenko: They pretty well supplied us with whatever we asked for. They didn't make the decision as to what we would get; it was based on our request.

Mr Owens: How did you know what to ask for?

Mr Mishchenko: For example, when it came to the computer system, the first question we had was: "Was it reviewed by the board? When you required the system, did the board have any input into the decision? How did you decide on HDS?" They indicated it was brought to the board's attention and there was a meeting of the board, so we asked for the minutes dealing with that meeting.

The Chair: Any more questions? Okay, let's get on with the rest of the report.

Mr Mishchenko: The next area dealt with contracts with F.D. Begley and Associates. F.D. Begley is a company the hospital is using to provide it with construction management services. Originally, it hired a director of planning and construction back in 1980, and then in 1983, the staff who were involved in that were taken off the hospital's payroll and became employees of F.D. Begley and Associates.

F.D. Begley is paid a flat fee for its services, which primarily just covers the salary and benefits of the president of that company. In addition, the hospital pays the salaries and benefits of all other Begley employees and provides office space there.

F.D. Begley primarily works for the hospital 100% of the time. It's done a little bit of work for other organizations, but the majority of work it has done over the last eight or nine years has been for the former Toronto General Hospital and now for the Toronto Hospital.

Begley—I'm using the term "Begley" as the company—acts as the hospital's agent in dealing with subcontractors, architects and municipal regulators. It doesn't receive any additional remuneration for work that's being done, either by its employees or subcontractors. The hospital pays the actual cost of those particular services.

So if Begley hires a firm to reconstruct or rebuild a section of the hospital—Begley being the agent for the hospital—it's done through a tendering process, and the hospital pays the actual costs of that. There's no additional money paid to Begley for providing that service. There's no markup on that.

1110

This arrangement has been reviewed a number of times by the hospital through its building committee and through its finance committee, and they felt that this is still the best process for the hospital to follow, to have Begley provide these services for them rather than going and hiring somebody on a full-time basis as a hospital employee.

In the past year, I guess because there have been a number of concerns raised about the relationship between the hospital and Begley, the president of the hospital commissioned a review to be done of that arrangement. They asked their external auditors, their lawyers and their architects to

look at various aspects of these arrangements to see whether they should continue with this process.

After receiving these reviews and going through the information, the hospital still feels that this is the best route for the hospital to follow. It advised the ministry of that, as well, back in December 1991, and they're currently in the process of drawing up a new contract with that firm.

The Chair: What response was given to the hospital by the Minister of Health after having received the information from the hospital?

Mr Mishchenko: We didn't see a response.

The Chair: Was there a response?

Mr Mishchenko: Not that we're aware of.

The Chair: Then why did they bother telling the minister?

Mr Mishchenko: I think it was more as a result of some concerns raised publicly about the arrangement. I think the hospital felt it necessary to pass this information on to the ministry. I think you'd have to ask the president of the hospital why.

The Chair: Do you have any knowledge of any phone calls from the minister's office to the hospital approving the arrangement or at least commenting on the arrangement?

Mr Mishchenko: No, we're not aware of any.

The Chair: I guess this is not a question for you, but are we to believe that a major hospital sends a report to the Minister of Health in the month of December 1991 and nobody responds, nobody calls, nobody writes, nobody says, "What's this for?" or "What should we do with it?" or "Why are you sending us this information?"

Mr Mishchenko: I'm not aware of any.

The Chair: Could we find out?

Mr Mishchenko: Sure.

The Chair: Let's find out. Any other questions?

Mr Duignan: Begley's offices are located in the Toronto General Hospital. Does the hospital charge them rent for the use of that office space or is that provided free by the hospital?

Mr Mishchenko: No, it's provided free by the hospital. It was part of the initial arrangements, right up front.

The Chair: Any further questions?

Mr Owens: Was a value-for-dollar audit performed as part of this process of reviewing the tendering process and the actual workmanship within the hospital, whether the institution is getting the best bang for its buck in terms of the contractors that are coming in to do the work?

Mr Mishchenko: We did review the tendering process that was followed for any of these projects and found that it was a proper tendering process. There were competitive bids received from numerous companies for pretty well every phase of every project that we looked at, and we looked at a lot of projects. It looks like all the firms that did the work were well known, reputable firms.

Mr Owens: I have no reason to disbelieve what you've stated in your report. Was there a follow-up done on the kinds of work performed by the contractors coming

in and doing the renovations, doing the additions, to ensure that in fact the money that was spent on contracting a particular firm was money that was well spent, appropriately spent?

Mr Mishchenko: We didn't come across anything that would lead us to believe that there was a problem. However, I'm not sure that we would even be capable of doing that type of assessment. I think you'd have to hire experts in that particular field to go in and actually determine whether the work was done up to standards. But there are all kinds of building standards that have to be met before you do a project. There are architects involved who review the work that's being done by the individual, there are engineers involved, and we're not aware of any legal action being taken by anybody with respect to workmanship or things of that nature.

Mr Owens: So there's no indication of payments not being made due to shoddy workmanship or issues around that?

Mr Mishchenko: You're going to find some problems in construction projects. There were instances where, for example, Begley and Associates would withhold money from a firm to get some remedy done on a particular phase of a project. I'll give you an example. With the revolving door, which is an issue we'll get to later, there were some concerns about some of the work that was done there, so Begley withheld payments to that firm until corrective action was taken and then released the additional funds. But that's common in the construction industry, that you would have things of that nature where you would withhold a certain amount of funds. Holdback is a common practice.

Mr Owens: Just so that I understand the relationship between Begley and the hospital, the hospital would pay Begley to subcontract, to tender out projects for the hospital, and in terms of markup, it's in your report that Begley did not receive a markup on contracts. So how is Begley paid for its services?

Mr Mishchenko: Begley is paid an annual retainer by the hospital. It's part of a contract they've had from, I guess, back in 1983, and that basically covers the salary and benefits of the president of Begley, who acts on behalf of the hospital in negotiating, tendering, things of that nature. There is no additional payment made for that. Also, the hospital does pay for the actual costs of the salaries of Begley employees who are working for the hospital.

Mr Owens: So would contracts be signed on Begley letterhead or would they be signed on Toronto Hospital letterhead? In terms of the performance bonds and compliance with legislation, like the Occupational Health and Safety Act, who would then be responsible to ensure that these compliances were in fact happening?

Mr Mishchenko: The contracts are on Begley letterhead, first of all.

Mr Mazzone: All the contractors, all the approvals and all that are obtained through Begley, for Begley, and they would be on a project basis. I guess everybody would deal with Begley on any project. The hospital's involvement is only at the approval stage of the project.

Mr Owens: This seems to be a bit Kafkaesque.

Mr Otterman: Mr Chair, if I may, I believe in effect this arrangement, hopefully to reduce it to simple terms, would be no different than if you were dealing with a general contractor on a project. This company and its staff I guess could be viewed as a resident or contractual permanent general contractor, if that's helpful.

Mr Owens: I'll think about it and get back to you.

The Chair: Okay, Mr Owens? We have Mr Tilson and then Mr Duignan.

Mr David Tilson (Dufferin-Peel): Mr Chairman, I guess I'd like to pursue the line of questioning you were commencing. Specifically, on page 14 of the report you list three very serious concerns, talking about the plant engineering staff could do this work for \$18 an hour, whereas Begley, for the same amount, charges \$30 to \$65 an hour. The second one is that there was no open tendering process in this particular area that you're looking at. Thirdly, you're suggesting a very serious conflict of interest.

This obviously has been going on for some period of time. I'd like to know what process the Minister of Health has in reviewing these types of matters. In other words, does the Minister of Health have any idea about these types of things that have been going on, to your knowledge?

1120

Mr Mishchenko: Just to make it clear, the concern is not our concern. That was the concern that was raised at the meeting.

Mr Tilson: I understand.

Mr Mishchenko: Our response to some of these concerns indicates that we aren't concerned, that we don't share that.

Mr Tilson: I understand.

Mr Mishchenko: However, as far as I'm aware there would be no process for the ministry to—

Mr Tilson: My question was the same type of question the minister had, that when these issues are raised by whoever—by you, by the union, by whomever—does the minister have an obligation—not an obligation; I believe the minister does have an obligation. But does the minister have a process to follow through with these types of allegations? Why has it all of a sudden surfaced at this committee? Surely the Minister of Health would be pursuing these matters.

Mr Otterman: I'll ask Nick this. Did we pursue with the ministry to see if they were aware of this earlier?

Mr Mishchenko: No.

Mr Otterman: The answer is no. The answer to why they wouldn't have been aware of it or why they wouldn't have pursued it, we therefore can't answer. It'll be a good question for the ministry people.

Mr Tilson: We're sitting in this committee and I think we're now into it. If the minister isn't pursuing these matters in this hospital, or any other matters, surely—the minister's forking over all kinds of dollars; she must be doing this responsibly; surely if allegations are being made, rightly or wrongly—these are very serious allegations. You

have said you don't agree with some of them, but I'm interested in knowing what process the minister follows. I understand what you're saying, that you hadn't pursued that, and I would hope that would be a matter this committee would pursue.

Mr Chairman, Mr Cousens and Mr Grandmaître have made two suggestions. One is that this might be one of our recommendations, and secondly, to further our report on this subject, perhaps people from the ministry could come and offer some sort of explanation as to how they pursue these types of matters, which is a similar type of question that you were asking.

The Chair: I agree with you entirely and I would say the committee will have some time to discuss this matter at our conclusion. It appears, from the reading of this report, that the allegation of fraud or of any of those things in fact are not true, but that doesn't mean we don't have any concerns.

For example, my initial concern would be that some \$20 million of a gigantic computer contract was given out with no tender. The vice-president of nursing was hired, while at the same time providing consulting services to the hospital. Who would control the vice-president of nursing as to whether or not the consulting services being bought were in fact needed? The third question that I have would be in regard to Mr Begley. Is this common practice in hospitals across the province, to have a resident general contractor paid for? If this is, has it been proven to be financially satisfactory or is there another way?

I see a lot of questions here that we could probably ask of officials of the Ministry of Health and I agree that the Ministry of Health must be involved. Our committee can do a lot of work, but we must work in cooperation with the ministry.

Mr Duignan: I tend to agree with you, Mr Chair. I just want to get back to your third concern, the arrangement with Mr Begley. I wonder how much this arrangement costs the Toronto Hospital. Have you an idea what's paid to Mr Begley? Second, what is the square footage of the office space provided to Mr Begley's firm and is the equipment in that office provided by the hospital or provided by Mr Begley's firm? Third, does Mr Begley then pursue other business interests outside Toronto General Hospital out of that public space as well?

Mr Mishchenko: We don't have the amounts paid to Begley, and yes, they do work for other organizations—very minimal. When that's the case, there is a deduction from their billing to the hospital for their staff's time. For example, if they have an employee working 80% of the time for work at the Toronto Hospital and 20% of the time for another particular project, then the hospital will only be billed for the actual percentage dealing with work for the hospital. We don't know how many square feet we're talking about in office space; we didn't measure it.

Mr Duignan: That's fine, but they're still using the office space to look for other work as well. Correct?

Mr Mishchenko: Yes.

Mr Duignan: In fact, are the office supplies, equipment and photocopy charged back to the hospitals on a monthly basis?

Mr Mishchenko: That's right. I guess you have to sort of look at the arrangement. If you hired a firm located in its own building, you would somehow be paying for that firm's space one way or the other. I guess that's the hospital's explanation as to why they pursued it from this perspective. They felt it was more economical.

Mr Duignan: That's fine if the office space is being used for work on the hospital, but the office space is also being used to conduct business elsewhere.

Mr Mishchenko: Very little. It's not even—

Mr Duignan: Little or otherwise, I'd like to know how much it's being done.

Mr Mishchenko: The hospital would not be billed for the variable costs dealing with staff and things of that nature, dealing with another project, but you're correct, the office space would still be provided and there would be no reimbursement to the hospital for that.

Mr Duignan: I would still like my questions answered in relation to how much the hospital pays Mr Begley and what size of office space is being provided to his company in the hospital.

Mr Mishchenko: Are you concerned about the total payments to Begley for all the staff time as well, and everything else: the total billings, just the annual retainer or—

Mr Duignan: The retainer, the billing and everything. Any payments to Mr Begley.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): I was just wondering if you could tell me if this is a cost-effective arrangement, a good value-for-money arrangement, and is it in the overall interests of the hospital to have an arrangement like this.

Mr Mishchenko: I'm not sure how easy it would be to determine whether this is the most cost-effective method or not. We didn't try to go through that process.

Mr Otterman: If I may, on the cost-benefit arrangement, you'd have to take in many factors. I suspect the largest one is that by retaining a general contractor who is very knowledgeable about the operation, there are going to be benefits that far outweigh the costs; otherwise they wouldn't go ahead with this.

Other than in the general sense, I don't think we can speak. We did not do a cost-benefit analysis. That would require a great deal of work, given the nature of the projects they undertook over the years. I would think that could be done, though, on a comparative basis by comparing if you engaged an external general contractor, but you would be making some assumptions there as to what problems you would entail with those because they weren't knowledgeable with the business. So whether you could really get it down to a clear-cut decision-making area, I'm not sure. I'm not sure if we had any information available from the hospital in that regard. Did we, Nick?

Mr Mishchenko: No.

1130

Mr Johnson: From year to year, the cost of retaining F.D. Begley and Associates obviously varies. If they have a different number of employees and different contractual obligations from year to year, then obviously the costs would vary quite substantially, I would guess, from year to year. Would that be correct?

Mr Otterman: Yes, I think that is correct, depending on the project activity going on. I think that probably one of the major considerations in regard to having your in-house staff versus the other when it comes to plant engineering is to be able to address those peaks and valleys, that there must be some cost benefits to that area.

Mr Johnson: Would there ever be a time when they would no longer be required? Is there a time in the life of a hospital when this kind of contract would no longer be necessary or to some small degree would it always be possible to maintain this kind of relationship?

Mr Mishchenko: Basically, the hospital, over the last 10 years, has had a lot of projects. There are less now, though, with less funding available. However, there are still things that are being done. Whether you renovate a floor, move a department, things of that nature, you're always going to need that capability of some nature, whether it's on a full-time contract basis, whether you have to contract it out on a periodic basis or whether you have a person permanently on staff to provide that kind of service to the hospital. But you're always going to have something going on. It's a large facility so I don't think you'll ever reach the stage where they're doing nothing.

But they have cut back on the number of people. It's up and down with Begley employees. As the work drops off, the number of employees drops off, so there has been adjustment for that.

Mr Frankford: On page 14, you say you were able to compare the rates paid to hospital employees and individuals hired directly by Begley. Could I ask what information, in what form that came, that you were able to do that?

Mr Mishchenko: If Begley employees were actually doing work for the hospital, whether it be minor construction projects or things of that nature, there's the actual billing to the hospital. So we were able to look at what the hourly rates were, the benefits that the hospital paid for, everything. With hospital employees, we went back to the payroll department and obtained from the payroll department information as to what the hourly rates were for its employees, plus what it cost for benefits. So we just rolled those up and came up with this. It's not a hard-and-fast number, but we feel comfortable that those numbers are reasonably accurate.

Mr Frankford: This was assessing what is going on currently.

Mr Mishchenko: That's right.

Mr Frankford: So you don't really know what would have been the comparable rates two years ago or five years ago.

Mr Mishchenko: No, we didn't go back that far. But we didn't see anything to indicate that there was a big fluctuation up and down in the rates.

Mr Duignan: On the point that Mr Johnson was on, over the last two years, renovation work and construction has decreased significantly at the Toronto General. In fact, it's gone from 30 staff to six. Has his retainer fee decreased over that period of time because his workload has decreased?

Mr Mishchenko: No, because the retainer fee basically covers the salary of the one individual.

Mr Duignan: Just the one individual?

Mr Mishchenko: Basically, yes. There's not much left.

Mr Duignan: So he would then bill for any extra staff he would hire.

Mr Mishchenko: That's right, yes, and that would be staff directly hired for work.

Mr Duignan: But his retaining fee still remains the same.

Mr Mishchenko: Yes.

Mr Duignan: Plus his office space.

Mr Mishchenko: Yes.

Mr O'Connor: At the top of page 13, you referred to the downsizing of major building projects. I realize we're going to get into some of the office space and what not a little later on in your report. Did you do an overall audit of space available within the hospital and all its buildings and come up with any sort of value for money, whether the space was being used appropriately, and would that be something that Begley has been involved with as part of the downsizing project?

Mr Mishchenko: There's a lot of vacant space in the hospital now. A lot of wards are shut down. Are you talking about office space or are you talking about the hospital itself?

Mr O'Connor: I'm talking about overall space that the hospital has available to it for its daily operations.

Mr Mishchenko: We didn't do an audit of it because it wasn't one of the concerns that was raised and we were not made aware of a concern related to that, so I can't really answer your question. Begley's responsibilities deal more with construction-renovation. Their concerns would not be related to, "What do we do with empty space?" or things of that nature. That would be a hospital decision.

Mr O'Connor: My concern is whether, in the operations Begley's related to, in downsizing and construction related to some of the downsizing, has there been an overall look at all the space available to the hospital in coordinating some downsizing? If there is vacant space available, are they taking a look at disposal of some assets that aren't necessary to the hospital?

Mr Mishchenko: I can't answer that. I'm not sure whether they have or not. I'm sure the hospital is looking at its facilities, but I can't give you a firm answer on that.

Mr Owens: I want to have another go at this relationship. In terms of how the report reads, Begley is paid a flat fee—I'm looking at page 11—for its services, which

essentially covers the salary and benefits of the president. In addition, the hospital pays the salaries and benefits of all other Begley employees and provides office space. Office supplies and equipment and the leasing of a photocopier are charged back to the hospital.

Mr Mishchenko: Right.

Mr Owens: What I'm struggling to understand is, where does the hospital end and Begley take over? The way the report reads to me, and correct me if I'm wrong, it appears that Begley is simply another department of the hospital. There doesn't seem to be any clear or definitive split between Begley and the hospital qua hospital.

If the hospital is paying the president his salary and benefits, if the hospital is paying the employees, if the hospital is supplying the space, supplying the office supplies, I'm really at a loss to figure out where in fact the line is drawn. Does Begley have representation on the board of directors of the hospital?

Mr Mishchenko: No. Begley is involved with the building committee because—

Mr Owens: Right, but they don't have a representative on the board of trustees?

Mr Mishchenko: No. At least not one that we're aware of.

Mr Duignan: Doesn't that committee have representation on the board? Would that building committee have representation on the board?

Mr Mishchenko: There would be board members on the committee. Maybe that's the other way to go around. There's a board of trustees and there would be members from the board of trustees on the building committee.

Mr Duignan: What position does he hold on that committee?

Mr Mishchenko: I'm not even sure if it's just director of construction, similar to if he was an employee of the hospital in that role; not as a board member, but as an employee of the hospital. There are a number of other employees of the hospital on that committee as well.

Mr Duignan: That gets back to Mr Owens's point.

Mr Owens: If I wanted to play devil's advocate, I could say, "Listen, guys, that relationship doesn't appear to be arm's length." I could set up what appears to be some kind of arm's-length corporate relationship with somebody so that I could go out and contract out work and look at avoiding various responsibilities with respect to legislative responsibilities, responsibilities under collective agreements. I'm really struggling to figure out where the line of authority of the hospital ends and where Begley starts off. Again, maybe it's lack of clarity in the way the report is drafted. Do you see a clear differentiation between Begley and the hospital? Am I missing something here?

1140

Mr Mishchenko: It's like any other contractual arrangement. You could see Begley as a department of the hospital; it's serving that role. But it's also serving a role of a general contractor, in that position as well. You're right. It's not like a really clear line between the two. That's why

he has that title of, I think, director of construction at the hospital. So the hospital itself recognizes the need for that.

Mr Owens: Do you have an understanding of whether F.D. Begley and Associates Inc conducts business with any other hospital outside the Toronto Hospital Corp universe, or any other interests outside the Toronto Hospital universe?

Mr Mishchenko: Not in the form that they have with the Toronto Hospital. I know they've done some work for some other hospitals, but they seemed to do more work for other hospitals when there was less work to be done at Toronto Hospital. Their primary role is for Toronto Hospital.

The Chair: Any further questions?

Mr Owens: In terms of the relationship and pursuing the report further, I think we need to take a look at what this committee can recommend in terms of arm's-length relationships to ensure that in fact they are separate and that it is the best arrangement that can be made for the institution in terms of value for dollar and in terms of compliance with legislative requirements. I think we need to pursue that.

I'm not suggesting that there's any conflict of interest and I'm not suggesting that there's any violation of any legal practice. I'm curious about the relationship and the perception that if the institution is paying the salaries and benefits of the president and the employees, supplying office space and office supplies, it's very difficult for me as a legislator to make that differentiation between what is hospital and what is contractor in terms of trying to get at the issues at hand.

Mr Mishchenko: We understand that this arrangement is not unique to Toronto General Hospital. There are other hospitals—I can't recall off the top of my head which ones they were—that do have similar practices being followed. Not with Begley; they would have another firm providing those same services. But then there are other hospitals as well that would not have that arrangement and would hire general contractors and pay them as they go along; of course that has an effect.

There are all kinds of things that come into play. The architect's fee is variable on the amount of work the architect is responsible for and has to do; in some cases it could be reduced because we have a general contractor or Begley people there. In the review the architects did, they actually brought that up as well, that there are savings by having this arrangement. But for us to say whether it is the most cost-effective way of doing it, we can't decide that far.

Mr Cousens: Before the meeting breaks up, I'd like to put one motion on the floor to follow through on some of the issues Mr Owens and others are raising, just read it into the record and at some time—maybe this isn't the time to do it.

The Chair: Is this a notice of motion?

Mr Cousens: I just move that appropriate Ministry of Health staff be invited to attend the public accounts committee to review and discuss issues that arise from the Provincial Auditor's report on the Toronto General Hospital. I think there's tremendous value in that, if the deputy

and some staff are able to come to respond to some of the concerns that are coming out from all these questions.

Mr O'Connor: The parliamentary assistant is here now.

Mr Cousens: With all due respect to the outstanding capabilities of the former parliamentary assistant to the minister responsible for the greater Toronto area, who happens to be a very dear friend of mine—

Mr Owens: Who took a very ethical stand.

Mr Cousens: Oh, ethics is something you can have any day around here.

Interjections.

The Chair: Mr Cousens has moved that appropriate Ministry of Health staff be invited to attend the public accounts committee to review and discuss issues that arise from the Provincial Auditor's report on the Toronto General Hospital. Any discussion? I think we should allow Mr Cousens the opportunity to lead off, since it's his motion. Then I'll take a list and we'll all get a chance to make our comments.

Mr Cousens: Briefly, it's an excellent report we've got before us. We're not going to finish it today, obviously. There will be a future opportunity. At that time, once the auditor has gone through it, and if we've missed a few things, thereafter there would be a good benefit for all of us, if we've got some wrong ideas about things that are happening or should be happening and maybe already are—see, the Ministry of Health read these reports too. They might have some plans where they're already in the process of implementing some corrective action to safeguard the provincial coffers from future such problems, but if they're not, this would give them the chance to hear the views of concerned members of the Legislature.

I see it as a positive motion. I don't want it to be a witchhunt, but it could be fun to have them here.

Mr Grandmaître: I'll be supporting Mr Cousens's motion. When you read that Mr Begley's arrangements date back 10 years ago, I'm just wondering, in the Ministry of Health right now, who was there 10 years ago with all the changes that have happened in the last 18 months?

Mr Owens: Who was there 10 years ago?

Mr Grandmaître: Who was there who is still in the ministry? We'll have to call people like former Tories and all these people.

Mr Cousens: They're still Tories; they just don't have any office any more.

Mr Owens: I'd do a membership list check.

Mr Grandmaître: And they have a TTC pass and no more limousine.

Mr Owens: I was going to comment on Mr Cousens's motion. I think it may have some value, although I gather the way the ministry will get its answers is to call the parties involved without having conducted a separate investigation. The committee might want to take a look at inviting the parties back and having a conversation with the hospital and the union.

The Chair: For the benefit of the committee at this stage, since you've brought up the matter, my understanding is that the president of the hospital has already called.

Mr Owens: I'm sure he has.

The Chair: He has requested to appear before the committee, so based on that information, I think we already have an answer to a potential motion.

Mr Owens: Great. It was more of a suggestion, in terms of continuity, that we have some comments on the report.

The Chair: Any further discussion on Mr Cousens's motion?

Mr O'Connor: I think Mr Cousens's motion is a valid one. I believe the minister's office and the ministry would be more than interested to be here as well to hear some of this information first hand.

Being new to the Ministry of Health, as the new parliamentary assistant—

The Chair: I thought you resigned?

Mr O'Connor: —as the new parliamentary assistant to the Minister of Health, the ministry itself is an overwhelming size, so there are many things on its plate at any given time. It may not be possible to get the deputy here for the entire thing, but it's certainly a recommendation I support. I think we should get somebody there to help out. For their own information, I'm sure this would be quite valuable to them as well.

The Chair: Is the committee willing to leave it up to the clerk and myself to make a list of appropriate officials? Okay.

Mr Cousens: And the clerk?

The Chair: Yes, that's what I said, "the clerk and myself." Thanks, Mr Cousens. All in favour of Mr Cousens's motion? Opposed? Carried.

Mr Owens: I want to ask for a quick clarification on the issue I raised earlier with respect to the draft report. In terms of communication with all the parties that were involved, it's my understanding that the hospital had an actual hard draft copy of the report. Did the union have a hard draft copy of the report?

Mr Otterman: No, it did not.

Mr Owens: Okay, and who did you or your staff communicate with from the union in terms of the draft report?

Mr Mishchenko: The individual who appeared in front of the committee on May 7, Mr Schyngera.

The Chair: We have approximately six minutes left. I'm going to ask the committee whether it wants to continue or stop here. We've not quite completed page 13.

Mr Pat Hayes (Essex-Kent): I've got one real quick question, Mr Chair.

The Chair: Please go ahead.

Mr Hayes: Begley and Associates: Reading through the report, it talks about the hospital actually being billed back or charged back for photocopying, office supplies and equipment. At the same time, they're saying that Begley's employees are paid by the hospital. When Begley is working out of the hospital premises, is it doing work for other hospitals or any other organizations at the same time?

Mr Mishchenko: They are doing some work, but not very much. The majority of the work is for Toronto. Originally, they started with Toronto General. Since the merger of the two hospitals, they are now doing work at Toronto Western as well.

The Chair: Can you tell Mr Hayes who these other people are and what the value of the work is? Are there any numbers?

Mr Mishchenko: I haven't got a number here. I think they've done some work. Was Wellesley Hospital one, Vince? Wellesley was one. I'm not sure of the other ones.

Mr Hayes: Could we get that information?

Mr Mishchenko: We can try.

The Chair: Anything else, Mr Hayes?

Mr Hayes: No, thank you.

Mr Duignan: Very briefly, to follow up on something you said, does the Begley type of arrangement also exist in other hospitals? Do you have information on that, and if so, could you supply it to this committee, those types of arrangements etc, the cost?

Mr Mishchenko: We don't have anything on costs.

Mr Duignan: I would be grateful for whatever arrangements or information you have.

The Chair: Anything else? The committee stands adjourned until next Thursday morning at 10 am.

The committee adjourned at 1153.

CONTENTS

Thursday 15 October 1992

Review of special audit on Toronto General Division of the Toronto Hospital P-89

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- ***Chair / Président:** Mancini, Remo (Essex South/-Sud L)
- ***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
- Callahan, Robert V. (Brampton South/-Sud L)
- *Cousens, W. Donald (Markham PC)
- *Duignan, Noel (Halton North/-Nord ND)
- *Frankford, Robert (Scarborough East/-Est ND)
- Haeck, Christel (St Catharines-Brock ND)
- *Hayes, Pat (Essex-Kent ND)
- *Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
- *O'Connor, Larry (Durham-York ND)
- Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

Substitutions / Membres remplaçants:

- *Brown, Michael A. (Algoma-Manitoulin L) for Mr Callahan
- *Grandmaître, Bernard (Ottawa East/-Est L) for Mr Sorbara
- *Owens, Stephen (Scarborough Centre ND) for Ms Haeck

*In attendance / présents

Also taking part / Autres participants et participantes:

Otterman, Jim F., assistant Provincial Auditor
Sciarra, John, administrative assistant to Provincial Auditor
Mazzone, Vince, audit manager, Office of the Provincial Auditor
Mishchenko, N.J., director, special assignments branch, Office of the Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



Ontario

P-11

P-11

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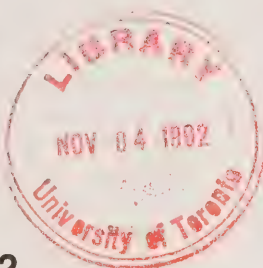
Second session, 35th Parliament

Assemblée législative de l'Ontario

Deuxième session, 35^e législature

Official Report of Debates (Hansard)

Thursday 22 October 1992



Journal des débats (Hansard)

Jeudi 22 octobre 1992

Standing committee on public accounts

Review special audit
on Toronto General Division
of the Toronto Hospital

Comité permanent des comptes publics

Vérification particulière
sur la division Toronto General
de l'Hôpital de Toronto

Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-7411.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Renseignements sur l'index

Il existe un index cumulatif des numéros précédents. Les renseignements qu'il contient sont à votre disposition par téléphone auprès des employés de l'index du Journal des débats au 416-325-7410 ou 325-7411.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 22 October 1992

The committee met at 1006 in room 151.

REVIEW OF SPECIAL AUDIT ON TORONTO GENERAL DIVISION OF THE TORONTO HOSPITAL

The Acting Chair (Mr Bernard Grandmaître): I see a quorum, so good morning. We will continue the audit of the Toronto Hospital—not the Toronto Blue Jays; that was a great game, though—the discussion of the Canadian Council of Public Accounts Committees Conference and the discussion re the Canadian Comprehensive Auditing Foundation 13th Annual Conference. That's our agenda, but number one on the item is the review of the audit of the Toronto Hospital. Who is first this morning?

Mr Nick J. Mishchenko: I believe we left off last Thursday just getting to the top of page 15, if I'm not mistaken, where we dealt with recent construction and renovation projects at Toronto General division.

The first concern raised was that many, or maybe most, of the renovation projects at the hospital are not openly tendered. We did a fairly extensive review of projects at the hospital and found that construction and renovation projects were properly tendered. The only exceptions were projects of low-dollar value, which often were required to be completed on short notice. In all the cases we had reviewed, the lowest bid was accepted by the general contractor, Begley.

The next issue dealt with the high-isolation unit at the hospital. The concerns revolved around the unit being built at a cost of approximately \$11 million and that it will never be used because of design problems resulting from poor planning and developing of the unit. From our review, we found that the total cost of the unit was \$2.1 million and that the unit was constructed at the request of the Ministry of Health, which paid for the total cost of construction.

The purpose of the unit was to deal with highly contagious diseases with a high death rate and no known cure. There were concerns on the part of the ministry that there wasn't a facility of this nature available in the province, and with agreement with the hospital they proceeded to construct a unit at the hospital. One of the problems raised as a concern was that the plumbing for the unit was not kept separate from the hospital's plumbing.

We reviewed documentation and reports provided at that time by the architects and various consultants involved and there is evidence that the toilets in the unit were connected to the normal hospital drainage system. However, according to correspondence from the architects, the toilet was intended to be used only by non-risk isolation patients. Where there was an instance of a genuine infectious patient, they would be required to use portable toilets and the waste would be appropriately disposed of. They were not going to use the toilets in the room.

The hospital, then, to eliminate any potential confusion, confirmed that the toilets would be sealed off and would not be available at the time that highly infectious patients were in the facility.

Another concern raised was that control knobs were placed inside the unit which could contaminate people. We found evidence that since all staff entering the unit would be wearing protective suits, there would be no risk of contamination. The suits were primarily like spacesuits and it was to avoid any problems.

I don't know if there are any questions on that.

The Acting Chair: Any questions? Yes, Mr Tilson.

Mr David Tilson (Dufferin-Peel): The allegation was that this section was vacant.

Mr Mishchenko: That's correct, yes, and it hasn't been used.

Mr Tilson: Is that allegation substantiated?

Mr Mishchenko: Yes. The facility has not been used. It is vacant. The equipment is still there for the unit but it hasn't been used.

To give you a little bit more background on it, the explanation we've received is that this unit was constructed back in the early 1980s. There was a concern that treatment facilities were not available for these types of patients. From what we've been able to glean from information provided by the doctor responsible for the unit and from conversations with people at the Ministry of Health, treatment for these types of diseases has changed dramatically during that period of time, and as a result, the need for this type of facility is likely not necessary. It's still there but it hasn't been used.

Mr Tilson: Do they indicate whether it can be used for anything else?

Mr Mishchenko: Since the ministry paid for the equipment, the hospital's not in a position to make any decisions on what to do with the equipment, so in consultation with the ministry, there are some discussions now as to whether the equipment can be used possibly in other government laboratories or things of that nature.

Mr Tilson: Are you telling me this building has been vacant since the 1980s?

Mr Mishchenko: It's not a building.

Mr Tilson: Or wing.

Mr Mishchenko: It's part of a floor.

Mr Tilson: This wing.

Mr Mishchenko: It's part of a wing, yes.

Mr Tilson: Part of a wing, it should be called.

Mr Mishchenko: Yes.

Mr Tilson: Has this wing been vacant since the 1980s?

Mr Mishchenko: Yes.

Mr Larry O'Connor (Durham-York): There's lots like that.

Mr Tilson: I had to leave the committee early last week. I understand the ministry is coming. I think the ministry has a lot to explain to us, because that's rather remarkable, if Mr O'Connor is saying there's a lot like that, that millions are being spent for wings or whatever and the acquisition of equipment that's not being used or has become redundant almost at the time it's purchased. I gather that's what you're suggesting. Are you suggesting that not only is it vacant but the equipment has become redundant within a very short period of time?

Mr Mishchenko: I'm not in a position to give you a complete answer on that. There's no indication that it was redundant at the time it was constructed. What we've heard from the people at the ministry and from the hospital is that we should all be thankful it was never necessary to use this equipment. It was there available to treat certain situations, and I guess they never had a cause or need to use the equipment for that purpose, but it was available. They felt it was like an insurance policy, to have some insurance so that if a problem occurred, they were able to deal with it.

Mr Tilson: I don't think our questions are now being directed towards the Toronto Hospital; I think our questions are more being directed towards the Ministry of Health. It's almost bizarre. If it is the way you've presented it to us, it's rather bizarre. I know you're trying to be kind, but it's come out as being rather bizarre.

Mr Mishchenko: Yes—not that we're trying to be kind. I think it's hard to put yourself back in a situation back in the late 1970s and try to look at things objectively about when a decision was made, as opposed to in hindsight. It was difficult from our perspective to make a call on that.

Mr Tilson: It appears we can't proceed any further on this topic, Mr Chairman, until the Ministry of Health officials come before us. I'm sorry to ask this, because I wasn't present; the motion was made. Has there been any scheduling for members of the ministry or indeed the Minister of Health to come to this committee?

The Acting Chair: I've been advised that the deputy minister has been invited and also the assistant deputy minister.

Mr Tilson: They will be coming soon.

The Acting Chair: Yes, next week, to our next meeting.

Mr Tilson: Thank you very much for your answers.

The Acting Chair: On the same subject, Mr O'Connor, on the same invitation.

Mr O'Connor: Just for clarification for my colleague across the room, we talked about the downsizing of the hospital last week. It was pointed out to us that it's something the hospital is responsible for. They're responsible for the fiscal situation within their hospital. I asked about empty space and if there was any move by the auditor to consolidate, and there hadn't seemed to be any. Of course, as it's been pointed out, it does go back several ministers;

in fact, it's a Tory era. But the fact is that health care has changed quite a bit and there is a lot of space that isn't being utilized properly. That was a question we had asked.

Just on whether someone from the ministry is going to come, it was raised at a meeting I was at with the minister, so they're well aware that we're dealing with this at this point. Some of the concerns I can take back directly to the minister as well and so I appreciate that, and we do have the deputy and ADM coming over next week.

The Acting Chair: I'm sorry; doctor, and then we can get back to you, Mr Tilson.

Mr Robert Frankford (Scarborough East): Can you clarify for me, did you say there is equipment there which belongs to the ministry and not to the hospital?

Mr Mishchenko: Well, now, the ministry paid for the equipment, for the total cost of that whole unit.

Mr Frankford: The ministry pays for everything ultimately, or maybe not, but—

Mr Mishchenko: The project was initiated at the request of the ministry. They provided specific funding for this particular project. The hospital has been looking at whether this facility is still worthwhile keeping and is having discussions with the ministry, from our understanding, to make a decision as to whether they should disband this unit and parcel off the equipment to other locations that might find it useful.

Mr Frankford: Did I hear you correctly that the equipment, you are saying, is the ministry's and not the hospital's?

Mr Mishchenko: I guess the equipment is the hospital's. But they don't feel they should be making a decision on what to do with it without having consultation with the ministry, since the ministry originally requested that this facility be constructed. So it is their equipment; it's part of the hospital, okay, but—

Mr Frankford: Presumably, in general, when the ministry has funded things to hospitals, that belongs to the hospital, not to the—

Mr Mishchenko: Right, yes.

Mr Frankford: So you are really saying it's more the hospital's equipment than the ministry's, but they—

Mr Mishchenko: It's one of these unique situations. I think the hospital found itself in a situation where it felt that yes, it is their equipment; it's on the hospital's property. But because it was installed for specific purposes, before they make a decision to move it out of there, they would want some agreement from the ministry on that.

Mr Frankford: Okay. Another area: Are you aware that there was any involvement or consultation with the district health council in identifying a need for this facility?

Mr Mishchenko: I'm not aware of any and I would imagine there would be various discussions. There were some newspaper articles dealing with the fact that this facility was going to be constructed at the hospital, and there were concerns raised and explanations provided as to why they thought it was necessary to get a facility at that time. That's going back to the late 1970s and early 1980s,

but we didn't see anything like a formal document or correspondence between parties.

Mr Frankford: I don't necessarily expect you to know, but my belief is that district health councils are supposed to have input into major capital expenditures and identifying specific needs for regions. It would be interesting to know whether that took place in this situation.

Mr Mishchenko: Yes, well, I'm not in a position to answer that.

Mr Frankford: Thank you.

1020

Mr Tilson: I'd like to respond to some of the comments made by Mr O'Connor. I will say that I am pleased he's taking back some of the concerns of this committee to the Minister of Health, because sometimes when a committee gets working on a subject such as this—I compare it to when we did a review of school boards. It was almost picking at random several school boards—I forget the exact policy, how we arrived at which boards were chosen—but quite often, if there's a problem in one school board, a similar problem exists in other school boards.

I think it's most important that the Minister of Health or the deputy minister, perhaps both, attend at this committee to talk to us about the policies of the government on the acquisition of equipment, the construction of wings such as this. We have now discovered that vacant space has existed in a hospital for a considerable period, that there has been redundant equipment, that the funding was provided by the hospital for most of the acquisitions—or all the acquisitions?

Mr Mishchenko: For this it was the ministry, not the hospital.

Mr Tilson: The ministry provided the complete funding for this. I'm concerned, when we hear of hospitals being closed—there was mention in the House yesterday of cutbacks in funding to our hospital system. One of the Liberal members asked a question in the House commenting on the reduction of funding for an operating budget, I believe, at the Joseph Brant hospital. When you hear that and then you hear of waste, tremendous waste going on, I think this committee has an obligation to pursue it fully.

Mr Chair, I'd like to canvass the merits of—it's fine to have the deputy minister and assistant deputy minister. I believe it would be useful for this committee to review the political policies of the Ministry of Health. We obviously have discovered, through inadvertence or otherwise, some serious problems with the Ministry of Health. I believe this committee should be receiving the attendance of the minister herself to respond to these various serious concerns that have been raised at this committee. I know the minister's busy, but perhaps a time slot could be arranged where the minister herself would appear to respond to some of the questions of this committee.

The Acting Chair: Mr Tilson, I think it's very unusual for a minister to appear before this committee, or any other committee, and discuss policy. If the minister is willing to appear before this committee and discuss policy—but you will agree with me that at the present time we're

responsible for a review of the audit. Maybe Mr O'Connor can persuade the minister to appear.

Mr O'Connor: Mr Tilson has certainly raised some interesting concerns here. If we were to put this in perspective, we should really take a look at who the minister was at the time—maybe it was Dennis Timbrell—and bring him in to explain how the whole thing came about.

One of the things we really need to take a look at is the fact that hospitals have been funded on an ever-increasing basis. For the past decade they were getting increases in double digits, 10% or 12%. This government made the move to say: "I'm sorry, but we just haven't got the dollars to spend like that any more. It's just not possible to continue." In fact, we've seen spending in health care as part of the provincial budget go from a quarter up to a third of the budget right now.

So when we put a limit on them, we're then seeing people say we're closing the hospital beds. If there's an overcapacity in hospital beds, we shouldn't be ever increasing that funding as previous governments have done. That's changing, and I appreciate that.

What I'm saying here, though, is that ministers change and governments change, and top bureaucrats within a ministry would have a far better idea of how some of the funding comes out and give us more of the history to it. We could see where the change is going; I think it's a positive change. The concerns this committee raises are certainly going to be of concern in the minister's office and the minister is going to take them quite seriously.

Given what I said last week, reviews and what not taking place right now within the ministry, maybe we'd be asking a bit too much to try to get the minister here for the entire review as we go through this review by the Provincial Auditor. I think what we do in this committee is very important. We haven't had a minister before us, and perhaps the minister will respond that she would like to appear.

I think what we need to do is to continue with what we're doing. The invite is open to the minister to come here, but we've got word that people from the minister's office, the deputy minister and what not, are going to be here, at which time we could then ask some questions.

I think the important thing is that the Provincial Auditor has responded to concerns that have been raised to this committee and is here to respond to questions we have around it, and not to the funding methods in place back in the late 1970s and early 1980s that led to this sort of thing. I don't think we should be dragging up stuff from that far back in the past. Those cabinet ministers aren't even ministers any longer.

Perhaps we could get back to the review. I appreciate Mr Tilson's concern. It is something the minister takes seriously, and I'll make sure it is heard by the minister.

The Acting Chair: To reassure Mr Tilson, I'm sure after the visit of the deputy minister and/or the ADM we could follow up. But at the present time, I think we should concentrate our efforts on the audit.

Mr Tilson: That's exactly what I was going to say. I'm pleased that Mr O'Connor has left it open that it might be possible for the minister to attend. It's fine to talk about

prehistoric history, but we're now in the 1990s and we find we have a wing that's vacant and some redundant equipment. Questions will be asked of the deputy minister and the assistant deputy minister about what other hospitals they believe these situations exist in, and, more importantly, what they're going to do about it. It may well be that they can't answer some of those questions and it will be necessary to request the minister to come to provide her comments.

The Acting Chair: Can we go on with the audit?

Mr Mishchenko: The next concern dealt with the construction of the Max Bell Research Centre. The concern was that the centre was built at a cost of \$26 million and has hardly been used since being built. We reviewed the costs of construction, and the total cost was approximately \$15.7 million, not \$26 million. We visited the facility and walked through it and found that, with the exception of one floor, which is being used for storage, the remaining five floors are being used for the purposes intended; that is, the five floors basically contain fully equipped laboratories which are being used for research purposes.

The Acting Chair: Any questions?

Mr Tilson: Well, just to confirm that the allegations made are accurate, with the exception that \$15.7 million is a more realistic figure as opposed to \$26 million. But for everything else, you believe the allegations are correct?

Mr Mishchenko: No, we don't believe the allegation is correct. The facility is being used. The point was that it's hardly been used since being built, but we found that five of the six floors are definitely being used for research purposes. They're equipped with laboratories and there's staff assigned to working in the laboratories and things of that nature.

Mr Tilson: And the one floor—

Mr Mishchenko: One floor is being used for storage, that's correct. Maybe to provide a little clarification, a research facility doesn't have the regular hustle and bustle you would see on a hospital floor. There are labs and people working in laboratories, but you wouldn't see as much activity, running back and forth down the halls. But they definitely are equipped with laboratories and there are research doctors and scientists who are working out of the facility.

1030

Mr Frankford: The funding of this is from the Ministry of Health, from private funding or what?

Mr Mishchenko: I didn't look into the exact distribution of funding, but there was a fund-raising activity which raised funds for the hospital. In addition, there was a donation from a foundation. I think that's why it's called the Max Bell Research Centre; there was a donation there as well. There may have been some funding from the ministry, but I'm not sure about the distribution of that.

Mr Frankford: So it is predominantly from a foundation, is it?

Mr Mishchenko: I wouldn't want to say that for sure because I'm not exactly clear on the numbers there as to

who provided the money. I'm not sure whether they provided a higher percentage or a lower percentage, but they definitely did provide some of the funds.

Mr Frankford: Is the organization of it completely by the hospital or is it in some ways a self-standing foundation?

Mr Mishchenko: No, the hospital's involved, the University of Toronto is involved as well, and some of the research work that is being done there is provided through grants from the federal government and other organizations. So it's attached to the hospital and it's part of the hospital, but the funding to run the centre comes from various sources.

Mr Frankford: It would seem to me that if one was really to get into this from your perspective, there are parts of it which are really outside the public responsibility, but it's not clear to what extent that is.

Mr Mishchenko: We didn't look into that. It wasn't an issue that had been brought up as a concern, so we didn't pursue that aspect of it. We were more concerned with whether it being used for the purposes intended and things of that nature.

The Acting Chair: Could we go on to the revolving door concern? We might have quite a few of those doors in Ontario.

Mr Tilson: That's an understatement.

Mr Mishchenko: To try to capsule the concern, primarily the concern was that a revolving door was acquired free from a casino in Nevada, which resulted in renovations costing approximately \$1 million, and that the door hasn't worked properly and the hospital has had to pay someone to come from the United States to fix and maintain the door.

We found that the door was actually purchased from a company in Burlington, Ontario. The hospital had requested competitive bids for the supply and installation of a revolving door in the Eaton Wing, and the door that was actually purchased was originally intended for a casino. It had already been constructed and was intended to go to a casino in Nevada. However, plans had changed and the door was available at the manufacturer's facility in Michigan.

The cost of this door was significantly less than other doors that were quoted on. Actually, according to the architects involved at the time, the door was above specs, so they felt it was a reasonable purchase for the hospital to make.

The total cost of the door was \$98,000. In addition to that, the hospital spent \$69,000 for renovations to the front of the Eaton Wing to enable the door to be installed. This brought the total cost of this project to \$167,000.

The door was put in to replace existing doors. Existing doors that were there were no longer felt to be functional and the hospital was looking at coming up with the best alternative to the doors that were there. The feeling was that technology had improved significantly in the area of designs of revolving doors and had proceeded in that fashion. This was all approved by various committees of the board.

Initially there were operating problems with the door; however, they were corrected at no cost to the hospital.

There were people who came up from both Burlington and from Michigan, the plant in Michigan, to take corrective action. Some of the problems dealt with motion sensors and things of that nature, but there was no additional cost to the hospital. It was all paid for; as part of the agreement there was a warranty, and the manufacturer and the distributor both acted and corrected the problems that were there.

After the door was installed there were some concerns that it wasn't being used by everyone entering the building. There was a problem with people with seeing-eye dogs, people with wheelchairs getting access, so the hospital proceeded to install a sliding door adjacent to the revolving door and it's a mechanized sliding door. The total cost of this, including the door and the renovations, was \$75,000.

We observed the doors I guess over a fair period of time during the course of the audit, going in and out, and found that they were working properly from what we could tell. In discussions with staff at the hospital, primarily in the maintenance area, they indicated that the problems that had existed previously had been corrected.

One of the points made was that staff had notified administration that the original revolving door wouldn't be able to accommodate wheelchairs, even before it was installed. We didn't find any evidence of that. We did see that a lot of people with wheelchairs are using the sliding door.

The Acting Chair: Any questions? Mr O'Connor.

Mr O'Connor: The costs do seem astronomical, no doubt about it. Even the sliding door, which most hospitals are equipped with now, makes access a lot easier. Is \$75,000 a competitive cost?

Mr Mishchenko: Yes.

Mr O'Connor: In another building in downtown Toronto, would that be a competitive cost? It just seems so astronomical for me. That's half the price of what it cost for my house that I live in; for one door it just seems incredible.

Mr Mishchenko: You have to see the sliding door. It's a fairly sophisticated item. It was properly tendered. I don't have the number in front of me but I think the door itself was about \$37,000. The additional costs dealt with the actual structural changes that had to be made in that portion of the hospital to accommodate that door. So the \$75,000 includes that additional work, and it was a fair amount of work involved. And that was all it cost, as well.

The Acting Chair: About the sliding door, is it the same or—

Mr Mishchenko: Mr O'Connor, you were asking about the sliding door, I hope?

Mr O'Connor: I was asking about the sliding door.

The Acting Chair: I'm sorry.

Mr O'Connor: I think he's demonstrated some of the concerns around the revolving door and some of the history I find somewhat comical right now, but I'm just looking at the sliding door alone; \$75,000 did seem like an

awful lot of money. If it was that much for a patio door at my house, I don't think it would be happening.

Mr Mishchenko: We're talking about a fairly large door.

The Acting Chair: It has got to be a fairly large door. Any other questions?

Mr Tilson: Mr O'Connor's question really wasn't answered, though. His question was with respect to a comparison of this type—I mean, he's right. If you have a door in another building, a similar type of door, presumably you're thinking of handicapped, you're thinking of—

Interjection: Automatic.

1040

Mr Tilson: Yes. Is it possible to make a similar comparison? I guess we're getting to the question.

Mr Mishchenko: I'm sure it's possible. The only thing we did have is that there were competitive bids and this was the lowest bid they received for that particular type of door.

Mr Tilson: It was? Okay, that's really what I'm getting at.

Mr Mishchenko: You can compare to other facilities, but it was competitively acquired.

Mr Tilson: I understand; as long as there's proper tendering.

Mr Mishchenko: There were tenders, there were quotes received, and it was the lowest bid.

Mr Tilson: Okay, thank you.

Mr Mishchenko: The next issue we're dealing with is purchasing, which is at the top of page 20. The first concern dealt with seven skids of new infusion pumps that were stored in a wing of the hospital, which were not being used because doctors didn't like them, and also, the demand is less because of the decrease in the number of beds, and the pumps were acquired at a cost of approximately \$2,000 each.

I'll just give you a little bit of background. I'm not going to get into the medical—but infusion pumps are primarily used to administer drugs, medication to patients. From what we could determine, there could have been pumps sitting on skids. They could have been pumps awaiting testing before being used by the hospital, or they may have been old pumps that were being replaced and waiting to be returned to the manufacturer. We didn't find skids of pumps anywhere.

However, I think the important point is that the hospital does not purchase these pumps. The manufacturer supplies the pumps to the hospital, and in return the hospital agrees to purchase the supplies required to operate or to be used in these pumps from that manufacturer. So, basically, the cost of that pump would be built into the cost of the supplies that are being purchased. If a pump is sitting idle or is not being used, or a number of pumps are sitting idle and not being used, there would not be any materials purchased to operate them during that period of time, so there would be no cost to the hospital of having them sit there. I think that's basically all we could determine on that. We verified. We

checked invoices from the suppliers to ensure that there were no payments specifically for the pumps and found that definitely there were only payments for the supplies for those pumps.

Mr Frankford: Just to clarify: You say "supplies." In your text here it says "the supplies required to operate the pumps."

Mr Mishchenko: Right, like tubing and things of that nature, any materials that go along with it. It wouldn't be the medication, but it would maybe be the actual bags and things of that nature. But we didn't go into a lot of detail on that.

Mr Frankford: I'm surprised, when you say "supplies"; this doesn't seem correct, "the supplies required to operate." It's not to operate the pumps, is it? It's part of the whole process of giving intravenous fluids.

Mr Mishchenko: Yes.

Mr Frankford: Am I not correct that it would in fact be the fluids or the drugs—I'm not sure what—that are being supplied in this process, that this is where the cost of the pump is being built in?

Mr Mishchenko: I think there may be something related to that, but I can't give you a definite answer. You may be correct on that.

Mr Frankford: It may be, as far as the intravenous fluids go, that there is a contract and that this includes the pumps to administer it.

Mr Mishchenko: My recollection, unfortunately, isn't too great on that, but I can get back to you on that just to verify. I do have copies of the invoices.

Mr Frankford: I don't know whether this would be a number of suppliers or if essentially it's just one. I think intravenous fluids tend to be manufactured by either one or a very small number of—

Mr Mishchenko: There isn't a large number of suppliers of the fluids or of the equipment.

Mr Frankford: Okay. I think it would be helpful to clarify what we're talking about, because I find this text not really clear.

Mr Mishchenko: I can get back to you on that.

Mr Frankford: It's certainly not the supplies that make the pumps function.

Mr Mishchenko: No, it's the supplies that make the pumps function, and it may also be some of the supplies that are being used in the treatment of the patients, but I can clarify that for you.

The Chair (Mr Remo Mancini): Anyone else? Okay, carry on, please.

Mr Mishchenko: The next concern dealt with the replacement of clocks at the hospital with new digital clocks, at a cost of approximately \$1 million. The Toronto General division has in excess of 1,000 clocks, and up to June 1992 approximately 200 of these had been replaced by digital clocks. In addition, the hospital has replaced one of the master control units that operate the clocks in the hospital. The total cost for the replacement of these clocks plus the master controller was approximately \$56,000.

We are advised that the reason the hospital was switching to digital clocks was that they had a lower cost and a longer life span. From what we could see, they're only being put in whenever another clock has been deemed defective, and they are replacing those defective clocks with this new clocks. Eventually, over a period of time, I'm sure the hospital will have replaced all the clocks it has, but we didn't see any evidence of a massive plan to do that.

The Chair: Okay, next.

Mr Bernard Grandmaître (Ottawa East): Who made this decision? The board, a consultant or what?

Mr Mishchenko: It was made—I want to be correct on this—by the maintenance people and the plant operations people in the hospital, I think. They were involved in the decision to go with digital clocks as opposed to the normal analogue clocks that were there previously. They had done some research and found that they could get better warranties with digital clocks and that they seemed to have a longer life span than analogue clocks, and their price was lower.

Mr Grandmaître: And this research was done through consultants or—

Mr Mishchenko: I don't recall.

Mr Tilson: Do you need a consultant to see if the clocks work?

Mr Grandmaître: Well, who knows? All kinds of things are—great things—

Mr Mishchenko: We're not aware of any consultants being involved. However, the cost was so small, \$56,000, I don't think that they would have bothered to hire consultants to make that decision. I think they basically did a bit of a test themselves to determine which was the best method to go with, and they decided to go with the digital clocks.

Mr O'Connor: The master control clock—what's the purpose of that?

Mr Mishchenko: What it enables the hospital to do is change all the clocks in the hospital when time goes forward or back or things of that nature. It's a control unit. Rather than having somebody go physically to each clock in the hospital and make changes, it's a unit that does that automatically. It's actually not a very expensive unit—well, it depends on your definition of expensive. I think it was about \$2,000. What it does is it provides the facility to make changes to all the clocks in the hospital at one time.

The Chair: It's similar to our digital clock on the ledge, something like that.

Mr O'Connor: Yes. They probably have a control room like we have, where we put the camera up on the fourth floor.

1050

The Chair: Okay. Carry on, please.

Mr Mishchenko: The next issue dealt with electrical beds being purchased for the intensive care unit. The concern was that 60 new electrical beds were purchased at a total cost of \$1.2 million without consulting employees in

the unit. The concern was that these beds didn't work properly and required a great deal of maintenance after less than a year in use, and that initially the plan was to purchase five of these beds as well as others before deciding which model to buy.

We found that there were 56 electrical beds purchased for the intensive care unit, which is fairly close to the number provided in the concern. The total cost of these beds was \$466,000 as opposed to \$1.2 million.

These were used to replace 56 beds which were 15 years old and were determined to be in fairly poor condition. Three vendors were requested, actually, to submit quotations on the supply of a bed. However, only two were considered in the end because one of the suppliers was not able to provide a bed that could be used for clinical trial at the hospital.

There were many evaluations done of the two products that did provide beds for clinical trial, and these were from various nursing staff, nursing managers and other people at the hospital. As well, six staff members from the hospital visited the manufacturer's facility to satisfy themselves that the correct decision was being made.

We actually did see documented evidence that these evaluations were done by the nursing staff. That was the basis the decision was made on. As of July 6, which is when we were looking at this particular area, we were only able to find repairs totalling approximately \$1,400 for the 56 beds. We had discussions with the staff in the maintenance area responsible for looking after the beds. They indicated there hasn't been much maintenance required to date.

The Chair: Okay. Next item.

Mr Mishchenko: The next concern dealt with purchase of beds for other wings. The concern was that beds were purchased that were no longer needed because of bed closures and that someone had failed to cancel the order, and that approximately 50 beds, costing \$10,000 to \$15,000 each, are stored in the Max Bell wing of the hospital.

We found that since 1989 the hospital has purchased 160 new ward beds: 80 for the Toronto General division and 80 for Toronto Western. The cost of these beds is approximately \$2,500 each, or a total cost of \$200,000 for each of the two divisions. We didn't find any beds being stored in the Max Bell wing or where we—

Mr Tilson: Excuse me. You did or you did not?

Mr Mishchenko: We did not, and we were not pointed in the direction of where these beds may be. The new beds were purchased to replace existing beds that were no longer considered usable. From what we were informed, regardless of whether there were going to be bed closures or not, the beds were still needed to replace old beds.

The next concern was that the hospital was considering replacing bushes on College Street, when the gardener responsible for the area felt all that was needed was a little spray on the existing bushes. We spoke to the employees responsible for gardening, including an employee who has been in that department for approximately 20 years. They

were not aware of any plans to replace bushes at the present time. One employee recalled that a supervisor who had left more than two years ago had mentioned wanting to replace some of the bushes, but it was never done. We did find they moved some of the bushes, but there was no expenditure for additional bushes.

The Chair: I think that's acceptable. Next item.

Mr Mishchenko: The next issue dealt with a rock garden that was put in front of the revolving door area of the Eaton building and that there was a cost of \$90,000 to \$130,000 for this rock garden. The actual cost of the rock garden, including construction, design and materials primarily, was \$60,000.

The purpose of the rock garden was to eliminate a safety hazard caused by people walking through the traffic circle. There's a circle in front of the Eaton building where cars go around when they're dropping patients off or picking patients up. There used to be a safety hazard with people walking through that traffic circle to get into the hospital from—and I can't recall the street—Elizabeth Street, I think it is. The feeling was that to eliminate this hazard, they would install a rock garden on that island. From what we could tell, if there was a safety hazard, it definitely has been eliminated. I don't think anybody walks through that rock garden to get through to the main doors of the Eaton building.

The Chair: Any questions? Next item.

Mr Mishchenko: The next concern dealt with the hospital spending \$50,000 to \$60,000 to recarpet one wing of a floor while it's claiming a deficit last year.

We asked which floor they were referring to and visited that floor of the hospital and found that most of that floor does not have carpeting; it's primarily tiled. There is some carpeting in a few of the offices, but nothing extensive. We went back through expenditure records over the last three years to see the amount of money that might have been spent on carpeting for that floor and we found that it was approximately \$1,500.

We also did further work to see if there were any other floors that might have incurred a significant expenditure for carpeting and we didn't find any examples where \$50,000 to \$60,000 was spent to recarpet a wing of a floor in the hospital. We found that most carpet replacements were part of a major renovation project which required the replacing of the existing flooring or of the carpeting. For example, approximately \$18,000 was spent to recarpet sections of the nursing residence, but that's the extent of what we were able to find.

Mr Tilson: My question is, what brought this on? A report, oral and written, was made to us by the union people from the hospital.

Mr Mishchenko: Right.

Mr Tilson: Many, if not most, of the allegations that were made in that report, you appear to be saying simply are not true. What you have just told us now about carpeting, for example, the way it's been presented to us is a complete fabrication by the union officials. My question to you is, did you have an opportunity to speak to the people

who prepared that report to ask them whether you misunderstood any of their allegations?

Mr Mishchenko: Maybe I'll explain the process that we used on this audit. Once the motion was passed, we went through the Hansard for that particular day, which was May 7, 1992, and summarized what we thought were the concerns related to the items raised in the motion. We provided a copy of that to both the representative from the union and to the officials from the hospital.

We had meetings with both parties at separate times and went through each allegation to ensure that we understood. Primarily when we went through the understanding phase, we spent a fair amount of time with that union representative plus another person who was with him at that meeting. We wanted to make sure that we were not misinformed or were not misinterpreting, or even if there was a chance that something may have been said that came out incorrectly in Hansard. We wanted to make sure we were not going in the wrong direction.

We left him with a copy of that and went through it with him and then had another meeting a few weeks later where we were asking for any documentation the union may have pertaining to the specific concerns that had been raised.

At the end of the audit, once we had done all our work and reached our conclusions on each of these, we had another meeting with that representative and again went through the complete list of concerns and presented our perspective as to what we found on the audit. If there was any chance that there was any further information we could be provided with or any more details that could point us in a different direction or where he had information that disagreed with what we had, we wanted to ensure that there was a full opportunity for us to take a look at. There was no further information provided to us at that meeting, or subsequent to that as well.

1100

Mr Jim Otterman: I think it's appropriate to add here that as Mr Mishchenko explained, we provided every opportunity for people to come forward and provide additional information to us. Essentially, no additional information came to us, other than was presented in that brief to the May 7 committee. Normally, in an investigation type of audit of this nature, staff come forward once you're in the premises and after they get a certain feel for the conduct of the audit. That didn't happen.

Mr Tilson: As I say, of the allegations made by the union, many of them have been proven to be almost fabricated, like this last one, over carpeting. It's not even close. It's a complete fabrication. There have been some discrepancies that have developed, and I think it's been a useful exercise in that respect.

The Ministry of Health, I think, will have to answer more so than the hospital. The way your audit has been presented, it seems as if the hospital has been exonerated as far as any wrongdoing on its part is concerned. I look at that report, particularly what both you and Mr Otterman have just said. It gives me grave concern. Are you able to tell this committee what this audit cost the taxpayers of of

Ontario in man-hours and other expenses? I don't want it down to the exact dollars.

Mr Mishchenko: I can't come up with a number, but during the course of the audit we had four staff working on it, probably full-time, for approximately two months. In addition, there was time spent putting the report together and things of that nature. But the actual conducting of the audit went over about a two- or two-and-a-half-month time frame for us to be able to get this work and get the report to the committee fairly close to the date that was requested in the motion. Unfortunately, I haven't sat down and tried to come up with any dollars.

Mr Otterman: We didn't spend any additional money over and above our budget. This is simply a matter of reallocating staff to this audit that we otherwise would have used on another audit.

The Chair: Anyone else? Anything further to report?

Mr Noel Duignan (Halton North): Can we just go back? I asked a number of questions last week around Mr Begley's arrangement with the hospital. When can we expect an answer to the questions I asked last week?

Mr Tilson: They're in the mail.

Mr Duignan: Now we're in real trouble.

Mr Mishchenko: I can give you a little bit of information, I think, related to some of the questions. We were trying to get it mainly from the files we had already accumulated as a result of the current audit we had. We were waiting until the end of this meeting today to see what other issues the committee would be interested in our pursuing. We were hoping that if there were a list, then we could do them all at one time, because this is very disruptive to the hospital in the time that it takes when we're in there doing work. We wanted to make sure that we weren't going back and asking little questions every time something came up and causing any problems. But I can give you a little bit of a rundown on some of the information now.

Mr Duignan: I would prefer to wait until you have the whole list together. That saves some trouble. On the same subject, there was a concern raised around the whole question of Begley. They talked about the tendering process. I think the concern raised was the position that Mr Begley holds or the retainer that he has held in the hospital for over 10 years now. Was that ever tendered? Has it been tendered recently, and if not, why not?

Mr Mishchenko: It's not Mr Begley.

Mr Duignan: And Associates. It's the company, yes.

Mr Mishchenko: It's the firm. As far as we're aware, it was not tendered initially and there's no indication that it had been tendered since that period of time. It was acquired when the hospital felt, back I guess around 1980, that there was a need for this type of arrangement.

Originally they hired somebody on staff to perform this particular role, and then in 1983 they made a decision that rather than having somebody on full-time staff, they would rather have it as a general contracting arrangement. However, the people who were involved in making that decision at the hospital are no longer there, so it was difficult for us to get any information on that.

Mr Duignan: That's fine. However, surely this is a service provided to the hospital by Begley and Associates, and I notice there was a new arrangement completed recently, or it's about to be completed.

Mr Mishchenko: Right.

Mr Duignan: Was that tendered? Did anyone else ever get a shot at doing that?

Mr Mishchenko: Not that we're aware of. I think the decision was made on the basis of continuity, and we found no indication that there were discussions with any other interested parties in performing this task for the hospital.

Mr Duignan: In your opinion as Provincial Auditor, should this have been tendered?

Mr Otterman: Yes. Technically you could tender this type of service, like many other items that you're acquiring. A specification could have been written and it could have been tendered, or some other form of competitive process.

Mr Duignan: We have actually no idea of the amount of money we're talking about here, because that's one of the questions I've asked. Are you, as Provincial Auditor, concerned that this was not tendered?

The Chair: I think maybe those questions could be directed to either the assistant deputy minister of Health when she comes in or to the hospital.

Mr Duignan: Okay.

The Chair: Do the best you can.

Mr Otterman: In a general response, I think we, as auditors, are generally concerned whenever we come across a process where competitive situations do not exist, where there's fair and equal access to all potential suppliers.

Mr Duignan: Just a follow-up question again on that: Mr Begley is also director of planning construction at the hospital, is he not?

Mr Mishchenko: Not Mr Begley, the other one. The president of the firm is.

Mr Duignan: Does he sit on a committee of the hospital?

Mr Mishchenko: Yes. He sits on the building committee of the hospital.

Mr Duignan: Doesn't that committee agree to the contracts to hire additional personnel, subject to the approval of the hospital's president or the building committee or the board of trustees, when they want to expand his particular company to hire more staff to oversee projects?

Mr Mishchenko: They're involved in that, yes.

Mr Duignan: Isn't that a conflict?

Mr Robert V. Callahan (Brampton South): Isn't Bill 40 a conflict?

Mr Duignan: You'll have an opportunity to ask questions, if you wish. I'm using my opportunity to ask questions.

Mr Otterman: Potentially, yes. If the person is a voting member of the committee and did not declare a conflict and absent him or herself from the process, you would have a conflict.

Mr Duignan: Do you know in fact that this was the case?

Mr Otterman: I don't know that. I don't know if Nick can answer.

Mr Mishchenko: I think our understanding is that when it's things of that nature, the president of Begley would make a presentation to the building committee and the building committee would make the determination. It wouldn't be the president of the firm voting on that particular recommendation. He would be making a recommendation to the committee and the committee would be making the decision as to whether to approve or not approve. That deals with whether they were tendering for the construction of a section of the hospital or a major renovation project, something of that nature. That would be presented to the committee and the committee would make the decision and then make that recommendation to the full board.

Mr Duignan: But you are not sure whether in fact he voted or didn't vote. Is there any way of knowing? Do you have access to the minutes?

Mr Mishchenko: I can determine that. I can let you know on that. My feeling is no, he did not.

Mr Duignan: That's fine.

1110

The Chair: Any further questions at this time?

Mr Callahan: When I look at these and reflect on the comments that were made by Mr Tilson, and most specifically the one about the revolving door being free of charge from a bankrupt Las Vegas casino, and recognizing the fact as well that when this came out, when the public accounts committee ordered this on the basis of comments that were made to this committee, there was massive press about it. Toronto Hospital got a bad look, a black eye.

I think it emphasizes the fact that if we're going to hear from people in this committee, then perhaps we should be putting them under oath. I find this absolutely incredible that almost every one of these allegations that has been investigated proved to be bogus. The one that really blows my mind is the door from the casino.

I can see where people would come before us perhaps thinking, "Well, maybe that's not aboveboard; we want that investigated," but surely to God, where did the person get the idea of the free revolving door from a casino in Las Vegas? I mean, that defies credibility.

Mr Tilson: There's no credibility.

Mr Callahan: I think what we should do as a committee is consider that when there's going to be serious allegations made by any group that is going to be investigated by the auditor, we consider that we use the power of the oath to have them state that under oath, or at least on information and belief that they believe that to be true.

There's no way we can rectify the bad press Toronto Hospital had, and in essence what we've done is we've used public servants, who could probably be doing something more meaningful than chasing a hound into the hole, and I think we really have to look at that from two standpoints.

Citizens of this province have been clearly maligned. I hope to God they pursue whatever legal remedies they have in regard to the statements that were made to this committee and the fallout that may have occurred to their fund-raising or whatever else, and I would certainly hope that this committee in future would exercise discretion. I think we have the power to do that; we have the power to require them to be under oath. If there's some suspicion that the allegations that are being made are just a wild goose chase, put them under oath.

I think we should seek the power—we probably don't have it now—to require that if a bogus statement is made to us that results in nothing—and it's really bogus with the Las Vegas revolving door type of thing—they should be required to pay the costs of the audit. Why should the taxpayers of this province have to pay for it?

Those are my suggestions in terms of what I read in this report.

Mr O'Connor: I can see where the concerns are being raised at this point in time, and I appreciate them. I guess some of the difficulty from some of the people who made the presentation from the union that brought this forward clearly shows that there isn't a fair sharing of information.

Mr Tilson: But they were making facts up. They made things up.

Mr O'Connor: Excuse me, Mr Chair. Obviously, you could see where some of the foundation for some of the concerns come from. Whether or not they're totally correct, at that point they were making allegations. The thing with the whole casino deal, it turns out that the bid was entertained from some manufacturer in Michigan. The door was originally slated for a casino.

I guess part of the problem is that information being brought forward wasn't the complete information. I wouldn't think the union did this maliciously. They operated on what they felt was correct information. I'm sure they weren't doing it just to be mischievous. They honestly felt it was something that needed to be looked into. As a public accounts committee, we felt they were certainly very serious allegations, certainly something that needed to be looked at, and the role of the Provincial Auditor's office, through this committee, was directed to take a look at them.

If the case was put that they were required to swear an oath, feeling that this information they were presenting to the committee was correct, I'm sure they would have. The fact is that when they came to the committee, they felt the information they had was correct. I guess the difficulty is that if there were a better sharing of information within the hospital structure, if somehow or other the union were involved with some of the discussions that took place prior to this point, these allegations may not have shaped up the way they did.

It's a whole thing of information not being shared effectively. Some of the information is correct; on some of the information you could see where some of the basis for their information had come from, but it wasn't totally correct. Of course, that's the purpose of having the audit, to

take a look at the information, to take that inside look at allegations that have been made, to find out whether or not there's foundation and to remedy any situation that needed to be remedied.

I don't think this committee would be doing any favour to anyone, especially to the fine citizens of this province, if we ignored allegations because they seemed a little bit strange. With the casinos and the revolving door it certainly was a strange and wonderful allegation, and we see now after the auditor's report where the whole thing came about. Obviously, it's an information problem. It's a sharing of information problem that is evident right from the operations of the hospital.

Anyway, there are areas where I concur with my colleagues and there are some areas that I think we have to take a second look at.

The Chair: We have Mr Tilson, Mr Callahan, Mr Grandmaître.

Mr Tilson: The fact of the matter is that when we read the allegations that were made and we listen to the allegations that were made by these union leaders, and we now listen to what the auditor's office has told us, facts were fabricated. Mr Callahan is right. If this were a court of law and these people made these presentations, these very serious allegations under oath—under different circumstances, people are sued for libel and slander for much less, I can assure you. Mr Callahan is absolutely right. The integrity of the hospital, the whole fund-raising mechanism of the hospital is at risk when you make these serious allegations.

When you listen to the union leaders' presentation and you read the auditor's report and listen to what the auditors are saying, "fabricated," probably a court of law would be charging that they breached their oath and they would be charged. Not only that, the cost of this audit—four staff for two months, plus additional time putting this thing together, plus the time of this committee—is rather large for facts that were fabricated by union leaders against a reputable hospital, and it's shameful.

I think Mr Callahan has made some interesting points. I mean, it's costly to put these things together. Obviously we have an obligation to follow through on serious allegations, but at the same time we must be satisfied that they are responsible allegations. How do we do that? I suppose I'm slightly off the topic of hospitals. I'm really responding to the issue Mr Callahan raised, because I think it's a legitimate concern.

How do we respond to things? Somebody writes us a letter saying that some particular institution is doing the following. Well then, do we just send the auditor off on a merry chase and it results that this is just some animosity or some other political reason that these charges are made?

I guess I'm looking at the process of this committee, Mr Chairman. As a person who has been elected for the first term, it's something I'm finding rather difficult to understand, when we spend these vast amounts of moneys on allegations that have proven to be absolutely false. This hospital has been innocently—they have been assaulted. That's what has happened to this hospital, and it's shameful.

I'm really pursuing Mr Callahan's line of thinking, which is, what in future is our obligation as a committee to satisfy ourselves that allegations being made are worthy or are credible to instruct the auditor to go off and make the inquiries? I don't know whether this is a question for you or to the clerk, but it's a concern.

1120

The Chair: Maybe one day the committee will spend some time discussing that very point, as to how we should deal with these matters in the future. Maybe we'll review how they've been dealt with in the past and see if something more suitable to the members can be put forward.

Mr Callahan: I always try to not point fingers as to my suspicions of why these allegations were made, but in light of what has been said by my colleague across the room in terms of the innocence of this having been done, I have to put on the record that my suspicion is that when the computers were brought in, the union was concerned about the loss of jobs and that is what triggered the whole thing. That's my suspicion. I may be wrong, and I don't usually point my finger at it, but having heard the innocent reason why this was all done over there, I have to say that there are two sides to this. My suspicion certainly directs me in the line of this being either a deliberate move on the part of CUPE, or perhaps one with lack of any thought at all: They saw something, smelled a little smoke and thought there was a fire. But I think they had motives. I have to say that.

More importantly, I think there has to be a report from the Chairman of this committee. In fact, I would suggest that a press conference be held and that these findings be made public in a press conference by the Chairman and perhaps a couple of members of this committee in order to exonerate the Toronto Hospital from all the press it got before—it was rotten press; I remember reading it—and the impact that may have had on its integrity, which up to that point had been impeccable, the impact it may have had on its ability to raise funds, particularly in this climate, where dollars for health care are at a premium.

I think we have to give very serious consideration to the things I and Mr Tilson have spoken to. Mr Chairman, we will do this, but I think this is a matter that should be placed on our agenda at the earliest opportunity, as to how we keep people from setting off a witchhunt that can seriously affect the integrity and the character of other people or corporations or whatever and result in tremendous amounts of money being spent by the taxpayer for an audit. We have to tell the public out there that you can't come forward and just decide that because a woman was stirring a cauldron, she's a witch and we're going to burn her; that's how the burnings of witches in Salem took place, I guess.

We are accountable to the public to be fair, to not allow people's reputations to be besmirched. I think that's a very important issue. I would move, as a motion, that the Chairman and one member from each party hold a press conference to report the results of the auditor's findings; not just report them, but indicate that in the main, the allegations that were made were totally groundless and that we're

doing this in order to re-establish the reputation of the Toronto Hospital, which has perhaps been damaged or injured by these allegations. I think that's the only fair way to deal with it.

The Chair: Any comments on Mr Callahan's motion?

Mr Grandmaître: What Mr Callahan is trying to bring to light are the results of the auditor's report. Mr Chair, can I ask the Provincial Auditor if recommendations from the Provincial Auditor will follow? Now that you have all the facts before you, all those allegations and so on and so forth, will you—

The Chair: I have problems, not with the content of your motion or what you're trying to get but—

Mr Grandmaître: I'm still on Mr Callahan's motion, because he didn't mention the results or the content of the auditor's report.

The Chair: You're kind of stretching it.

Mr Grandmaître: I may be stretching, but I think this report is stretching too. It's not a fair question?

The Chair: It's a very fair question and I want you to get an answer, but Mr Callahan has put a motion on the floor and we must discuss the motion. I'm sorry, Mr Grandmaître. Could the auditor take note of Mr Grandmaître's question and in due course, as quickly as possible, we'll get him an answer? Any comments or discussion?

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): I'd like to hear the motion again before I speak to it, please.

The Chair: Could the clerk recap the motion, please?

Clerk of the Committee (Ms Tannis Manikel): This is what I took down. Mr Callahan can correct me if I've summarized the last part too tightly:

Mr Callahan moved that the Chair and one member from each party hold a press conference to discuss the report of the Provincial Auditor on the Toronto General division of the Toronto Hospital. Would you like anything more in that?

Mr Callahan: I went further, to discuss the results of the report and the utter groundlessness of the allegations as found by the Provincial Auditor.

The Chair: I would caution you about putting that in the motion. You're making a motion that's coming to conclusions and the report will draw its own conclusion.

Mr Callahan: Well, then, to give the Chair and the two members the widest latitude in terms of reaffirming the brilliant character the Toronto Hospital had prior to being besmirched by this witchhunt.

The Chair: I thought the way the motion was written was probably the fairest. Maybe the clerk can re-read the motion. Mr Callahan, could we just have this re-read?

Clerk of the Committee: That the Chair and one member from each party hold a press conference to discuss the report of the Provincial Auditor on the Toronto General division of the Toronto Hospital.

Mr Callahan: I think that's fine; that'll do.

Mr Johnson: Isn't it true that what's taking place today in here is public information and that the comments

and the concerns raised by all members of this committee are public information? The fact that some have said that these allegations are unfounded is on the record now, and I'm sure this information can be reviewed by any member of the press gallery, or anyone for that matter, to use in any way he or she may see fit.

I'm equally concerned, and have been for some time, with regard to how it is that allegations or information, right or wrong, comes before any committee for any committee to examine that particular information or that particular concern. I'm also concerned, being a member of this Legislative Assembly of Ontario, how allegations are made in the House.

Allegations are made based on information that may or may not be well founded. However, they're made, and here we have a situation. I've listened very carefully to the report from the auditor's office on the Toronto General division of the Toronto Hospital. I thought as I listened and I thought as I read this report that there was some basis for concern.

If you want to use a comparator, some of the information would suggest that there were areas where there was more information available and so there was more accuracy in the concerns than in other areas. For almost every item here, there was certainly some concern. Some of it was not well founded. Some of it may have been better founded, if that's a correct way of putting it.

With regard to Mr Callahan's motion, it may be a little premature to hold a press conference, as we know press conferences, to explain this. I think it would be good to hear, as Mr Grandmaitre has said, what the auditor's recommendations might be as a result of this report. I think that basically it's just a little premature.

1130

If there were no such thing as allegations in life, lawyers wouldn't have jobs, I suspect. However, they do exist: People make allegations and they may or may not be well founded, so we have ways and means of examining these allegations to get to the truth. I would respect the auditor and the report that was made, and I think that's exactly what's happened. Some concerns were raised, and who are we to say whether these concerns are valid or not until there's actually been an examination of these allegations or concerns, whatever you want to call them?

We've gone through the process. Any time anyone brings concerns before this committee, the public accounts committee, and we make a determination that we want to follow up these concerns by asking the auditor to do an audit, there are costs involved. Whether we think collectively and unanimously that these concerns or allegations warrant an investigation of the auditor, we come to some arrangement or some agreement and we agree that the auditor will look into the concerns further.

This was the case. As I said earlier, we could certainly debate whether or not the allegations were well founded. Without going through the report detail by detail, I think there were some concerns that had some legitimacy, and there were certainly some that, in my opinion, did not. However, in the broader aspects of the report, I think the job we asked for was done.

Yes, it's true that at one point in time reports were made in the media by the press that Toronto Hospital had some difficulties with managing some of its areas, with regard to dollars, with regard to how it operated. I think that's unfortunate, but any time allegations are made, isn't that what the media does, isn't that what the press does? They take these allegations and they can make an issue of them, whether they're well founded or not. At some point in time they have to be refuted or substantiated, and I think we have a clear indication in this report how each of these concerns have been addressed. They haven't all been entirely addressed in the same way. Some of the concerns raised did have some substance. The exact dollar figures may have varied somewhat or considerably; however, there was some substance to some of these concerns.

I think the result of this report now makes it clear exactly where the differences are between the allegations and the truth. In some there's a great difference; in others there's not so much of a difference.

Nevertheless, I can see where there certainly were some concerns; there were reasons why concerns were raised. As Mr O'Connor said earlier, some of these concerns were raised because of probably very poor communication. Maybe if there was an openness between the parties concerned and the party the allegations were made against, this wouldn't have been necessary; that is, to come before this committee and for the auditor to pursue the truth through his audit and bring this report forward to us.

I guess that's about all I have to say. I think it's a little premature for us to go forward with a press conference at this time.

The Chair: We're running a list. We have Mr Duignan, Dr Frankford and Mr Callahan.

Mr Duignan: I don't want to repeat too many of the things that were said by my colleagues. However, I do have a concern. Some allegations were made and the auditor did his report, and the truth in respect of some of the allegations has come out. I do have a concern that if anybody appears before any legislative committee making allegations or making a report, it should be based on fact. I'm just wondering, would it be appropriate for this committee to have the union representative back here—

Mr Callahan: That's my second motion if the first one doesn't pass.

Mr Duignan: —to answer questions the members of this committee may have about the way, for example, the union put together its report and its allegations within that report.

I'm not going to be supporting the motion because of the fact that another witchhunt in relation to the union is not going to help the matter either. I'd rather see the union back here answering the questions from this committee as to how it put together its report and where it got its information from.

Mr Callahan: Mr Chair, I'll withdraw my motion and I'll support the motion that has been made that we bring the union back here and have it answer the questions by this committee. I think that's a good idea because it will clear it up. If they're innocent, fine; I'd like to see that

done. But it will also say to any other group that if it tries to come here with what may not be properly founded in fact—I'm not suggesting prejudging this—it is going to be called back to answer for it when the auditor gets finished. That might be a great way of dealing with the whole issue.

The Chair: You're withdrawing your motion, Mr Callahan?

Mr Callahan: I'll withdraw my motion if Mr Duignan is putting a motion forward that we have CUPE, whatever the local is, come back here next meeting to answer our questions in terms of the facts that were put forward and the findings that were made by the auditor. I think that's a fair way of dealing with it.

The Chair: Mr Callahan, could you withdraw your motion?

Mr Callahan: I'll withdraw my motion.

The Chair: Mr Duignan, could you make your new motion, please?

Mr Duignan: I move a motion that we ask the presenters, the CUPE local—I don't know what local it is—to appear here in front of the committee to answer questions by the committee in relation to the findings of the auditor into its allegations.

The Chair: All in favour? Opposed? Carried.
Mr Grandmaître, you have your chance now.

Mr Grandmaître: I am totally satisfied.

The Chair: We'll have to find an appropriate date. We'll let the committee know.

Mr Callahan: Do we have unanimous consent for that or are we voting on it, Mr Chair?

The Chair: We already voted and it carried. I thought I saw your elbow go up. I counted you in the affirmative.

Item 2 on the agenda, discussion of the Canadian Council of Public Accounts Committees Conference: I need a subcommittee to work with myself and the clerk to put this together. I need one member from each party. Can I have volunteers? Mr Duignan.

Mr Duignan: I'll volunteer, Mr Chair.

The Chair: You're volunteering for the government.

Mr Callahan: What's the date of it?

The Chair: That's what the subcommittee is going to do. Mr Tilson, are you volunteering for the Progressive Conservatives?

Mr Tilson: Either I or Mr Cousens will volunteer.

The Chair: Either Mr Tilson or Mr Cousens. When can we know so we can instruct—

Mr Tilson: In the very near future.

The Chair: Thank you for your help. Who's volunteering for the opposition?

Mr Grandmaître: I think Mr Callahan.

The Chair: Thank you, Mr Callahan. So the subcommittee to structure this conference is Mr Callahan, Mr Duignan, myself, the clerk, and Mr Tilson will let us know within 48 hours if it's going to be him or Mr Cousens.

Item 3: Does everyone have this document, the Canadian Comprehensive Audit Foundation 13th Annual Conference, Toronto, November 22 to 24? Does anyone wish to attend?

Mr Duignan: Yes.

The Chair: Anyone wishing to attend, would you please notify the clerk.

Clerk of the Committee: Fill in the registration.

The Chair: Mr Tilson, you'll let Mr Cousens know about this?

Mr Tilson: I certainly will, Mr Chairman.

The Chair: Mr Callahan, you'll let your colleagues know about this and if they wish to attend we need—

Mr Callahan: What colleagues?

The Chair: Mr Grandmaître—

Mr Callahan: Who's on this committee, anyway?

Mr Johnson: Is it within our budget, Mr Chair?

The Chair: Oh, yes.

Mr Callahan: I take that back. I know who's on the committee and I will let them know.

The Chair: Okay. Any new discussion?
[Failure of sound system]

The Chair: This is just to remind the committee members that next Thursday we have the assistant Deputy Minister of Health and the Deputy Minister of Health coming in to discuss the auditor's report and the many questions you members have raised over the course of these hearings.

Having no further business, this committee stands adjourned until next Thursday morning at 10 am.

The committee adjourned at 1139.

CONTENTS

Thursday 22 October 1992

Review of special audit on Toronto General Division of the Toronto Hospital P-105

STANDING COMMITTEE ON PUBLIC ACCOUNTS

***Chair / Président:** Mancini, Remo (Essex South/-Sud L)

***Acting Chair / Président suppléant:** Grandmaître, Bernard (Ottawa East/-Est L)

Vice-Chair / Vice-Président: Cordiano, Joseph (Lawrence L)

***Callahan, Robert V.** (Brampton South/-Sud L)

Cousens, W. Donald (Markham PC)

***Duignan, Noel** (Halton North/-Nord ND)

***Frankford, Robert** (Scarborough East/-Est ND)

Haeck, Christel (St Catharines-Brock ND)

***Hayes, Pat** (Essex-Kent ND)

***Johnson, Paul R.** (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)

***O'Connor, Larry** (Durham-York ND)

Sorbara, Gregory S. (York Centre L)

***Tilson, David** (Dufferin-Peel PC)

Substitutions / Membres remplaçants:

***Brown, Michael A.** (Algoma-Manitoulin L) for Mr Callahan

***Grandmaître, Bernard** (Ottawa East/-Est L) for Mr Sorbara

***Owens, Stephen** (Scarborough Centre ND) for Ms Haeck

***In attendance / présents**

Also taking part / Autres participants et participantes:

Mishchenko, Nick J., director, special assignments branch, Office of the Provincial Auditor

Otterman, Jim F., assistant Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



P-12

P-12

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Assemblée législative de l'Ontario

Deuxième session, 35^e législature

Official Report of Debates (Hansard)

Thursday 29 October 1992

Journal des débats (Hansard)

Jeudi 29 octobre 1992

Standing committee on public accounts

Review of special audit
on Toronto General Division
of the Toronto Hospital

Comité permanent des comptes publics

Vérification particulière
sur la division Toronto General
de l'Hôpital de Toronto



Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Renseignements sur l'index

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 29 October 1992

The committee met at 1014 in room 151.

REVIEW OF SPECIAL AUDIT ON TORONTO GENERAL DIVISION OF THE TORONTO HOSPITAL

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. At last week's meeting, the committee decided to continue with the review of the audit on the Toronto General Hospital and the committee decided to call certain witnesses today.

I understand that we have Michael Decter, the Deputy Minister of Health, Ms Pat McGee, the acting assistant Deputy Minister, and Mr Coty Thompson here today. Could they please join the committee and take a seat at the front?

There was some talk last week by members of the committee that we might want to swear in our witnesses, considering some of the testimony that had been given to us. I don't think that's going to be necessary, but that might be something the committee might wish to discuss further as we go along in these proceedings.

Mr Stephen Owens (Scarborough Centre): Is there a concern that somebody is not telling the truth? Is that what the issue was?

The Chair: That was the discussion last week from members from all sides of the committee. Just read Hansard and you'll be able to get the feel of what the members had to say. We don't need special permission to swear in witnesses; we have that authority already.

Mr Owens: I think it's a little bizarre to start doing things like that.

The Chair: In the past other committees have done it. As a matter of fact, you might recall one of your former colleagues, Michael Breagh from Oshawa, who served as the Chairman of the Legislative Assembly committee; he felt it should be standard procedure for all committees, not just his committee. That's just a little bit of history.

The research officer for the committee has prepared for us, and we thank him for it, a list of 25 questions that had been asked by different committee members. I understand that we have answers to questions 17 and 22. I'm not sure how the committee wishes to deal with this. Do you wish to receive the answers to those two questions now? Do you wish to wait until we get to those questions and deal with the questions in a chronological order?

I have received advice also this morning from the auditor's office that possibly the ministry—they'll have to confirm it themselves—would have answers to questions 4, 9, 18, 19, 23 and 24, and that probably the hospital officials would and should have answers to all the other questions.

I want to do this with the concurrence of the majority view of the committee. Do you want to handle this in a chronological fashion? Do you want to get to the answers right away? What's your advice, if any? No advice? Okay.

Then what I would suggest is that we keep the questions in front of us so that we know what in fact has been asked, that we make note of the answers that the auditor's office believes the ministry officials may have, and you may want to add other questions to your list as we go on.

MINISTRY OF HEALTH

The Chair: Mr Decter, we want to thank you and your staff for appearing this morning. As you know, the committee has been very concerned with reports and deputations that we have been receiving in regards to the financial operations of the Toronto General division of the Toronto Hospital. That led the committee to ask the Provincial Auditor to do an audit based on allegations and deputations that we had received from CUPE Local 2001. I'd like to ask you if you have looked at the auditor's findings, if you've had a chance to do that?

Mr Michael Decter: First of all, thank you for the invitation to be here. It's a pleasure to be here and we welcome the opportunity.

Second, just in case there's an expectation that we're aware of the specific questions you made reference to a moment ago, we have not received those questions; therefore, our ability to answer them—

The Chair: We'll get you a copy immediately.

Mr Decter: Okay. We'll do our best. Obviously, we'll be able to supplement our answers from our files.

I have had a chance to review the report of the audit, the October 6 document, and would frankly compliment the Provincial Auditor and his office for doing a rather thorough job of investigating the allegations. We were pleased to see the comprehensiveness and the amount of detail on each of the allegations and felt that most of them were significantly laid to rest by the report.

1020

The Chair: I take it then that you are also familiar with the allegations that were presented to the committee which led to the audit?

Mr Decter: Yes. Those allegations had been presented to the ministry at an earlier date than they had been presented to the committee and had been raised by the ministry with the hospital—

The Chair: Sorry to interrupt, but I also would assume that you're familiar with the discussions that took place in the committee between the time the allegations were made, followed by the audit, followed by the report by the auditor's office to the committee, and the discussions that we've had that led to your invitation?

Mr Decter: We've tried to follow your deliberations fairly closely. We may not have caught every nuance of every member's intervention, but we've tried.

The Chair: I just wanted to make sure that was on the record, that you have all of the information that we have. You've now been presented with the list of questions that have been asked by members. Now that we've established the fact that we all have the same information, I'd like to turn the floor over to the committee members who've asked that you and your staff appear. They may have a question, they may have a series of questions, or they may have just general comments to make. I'm taking a list.

Mr David Tilson (Dufferin-Peel): I have a comment I'd like Mr Decter or his staff to respond to. As has been indicated and as you know, the Provincial Auditor's office conducted an audit of the Toronto Hospital. There was some difficulty expressed in receiving information. Tied in with that, there was a presentation made to this committee by the Canadian Union of Public Employees, Local 1744 and 2001, making very serious allegations with respect to the operation of the Toronto Hospital.

You've indicated that you had received that report. I don't know what inquiries you made as a result of it. I'd like you to tell us what the ministry did when those representations were made to you. We, after hearing the representation from the union and acting in good faith, proceeded to instruct the Provincial Auditor to go back again and deal with those very serious allegations.

Almost all the allegations, generally speaking, have proven to be completely false. Well, the Chairman is shaking his head and he's right: they're not completely false, and I suspect we all want to ask you some question on some of those topics this morning. But a lot of the facts were difficult. I'm saying that without having now heard the union's response. I can assure you that I, for one member, as we've gone to all this trouble and expense, would expect the union to return and listen to the auditor's report and give us its comments.

Having said that, the great concern I have is that there appears to have been some substantial mischief done. We all know that hospitals are having a great deal of difficulty operating. They receive moneys from the government; they receive moneys from donations; they receive moneys from other different sources. That mischief, I hope, will not affect fund-raising of the Toronto Hospital.

I guess that's my concern: what you believe the ministry can do—assuming that there has been a mischief done, and I believe there has—to alleviate concerns that members of the public who are making donations to the Toronto Hospital may have as a result of alleged mischief that's been made by the union.

Mr Decter: Let me try and put it in context. I think the fairest thing to be said is that both Dr Hudson and I assumed our current positions about the same time the summer before last, and were both confronted rather early in our tenure with a series of allegations about activities at the Toronto Hospital, in fact, many of the same allegations that were investigated by the auditor and reported out to the hospital and to this committee.

The fundamental underlying problem was a very bad labour relations situation existing between the bargaining agents and the hospital management. I think on that

fundamental issue we've seen enormous improvement. The minister and I met in June with both the leadership of the hospital management team and with the leadership of the bargaining agents and were told that although there had been some real difficult situations, including a long-standing Ontario Nurses' Association blacklist of the hospital, the management team and the heads of the bargaining agents were meeting regularly and were on the road to some constructive resolution of their problems.

We were told by both sides that they thought they could make the Toronto Hospital a model for labour relations in the health sector, of a positive sort. To the extent that much of this conflict really was a manifestation of a lack of a good relationship between labour and management at the hospital, I think the hospital is well on the road to recovery. I think anyone considering supporting the hospital financially should take that as a very positive sign that progress has been made.

I would give credit to both parties. I think it took both Dr Hudson's willingness to change some attitudes on the management side, and some leadership on the ONA's and some of the other bargaining agents' part to be willing to participate in the process. I would also in passing say that Vic Pathe, who serves the province enormously, well gave some very sound advice to both parties.

On the specific allegations, they fall, I guess, in two categories, some of which are issues of long-standing of which the ministry has been historically aware. The Begley and Associates issue is not a new one. It's been a relationship of long-standing. Pat McGee could speak to it, but it's been looked at by the hospital and by the ministry on numerous occasions without any resultant conclusion that there was anything wrong with the relationship.

I guess I'd say also that in terms of some of the other specifics, these are really things, including the acquisition of computer hardware and software, that fall squarely within the purview of the hospital management and its board. The ministry does not fund and does not dictate how those decisions are to be taken. They involve significantly money that comes from other than government sources. I believe the appropriate place for, if you like, the buck to stop on those decisions is with the board of the hospital and the audit committee of the hospital.

Mr Tilson: I suppose, Mr Decter, there obviously is a fine line as to what independence the hospital should have. We can't have the ministry coming in and telling the hospital how to dot its i's and cross its t's and everything, except when substantial amounts of moneys are given to hospitals.

I guess that's really what we're going to be leading up to, the overall policy of the ministry, because if these problems occur at Toronto Hospital, there's no reason to say that they might not be occurring around the province. If these problems are occurring and we say, "The buck stops at the hospital," that may or may not be the case. If problems are discovered, what does the ministry do? Do we just say, "That's your problem," notwithstanding the fact that a substantial amount of transfers are being made to the hospitals?

Mr Decter: Of course the ministry does have a very substantial oversight role as to the balance between the ministry role and the role of hospital boards. I think Mr Wessenger could probably speak from significant experience to the range of views that exist in Ontario. That range of views will come to bear on the new Public Hospitals Act. The current act is relatively clear about where various obligations lie, as are our guidelines. I did bring along copies of our 1992-93 and 1993-94 hospital operating plan process and guidelines for the committee.

1030

It's fair to say that we are becoming more involved than maybe we have been historically in requiring hospitals, particularly in the interhospital planning process, to work through the district health councils and to be more open. The ministry has wanted to see a more open and accountable hospital process. The Ontario Hospital Association, meeting this week, passed a resolution in support of opening up the meetings of boards of the hospitals. The Toronto Hospital, for the first time in its history, took that step recently. So we are seeing an opening up of the accountability process in information terms.

The line is very clear. The Ministry of Health funds hospitals and we are very involved in the planning process, but we are neither the owners nor the managers of the hospitals of the province. They have volunteer, independent boards that have legal responsibilities.

In an extreme case, the minister has the authority to appoint an investigating team. That action was taken a little over a year ago or two years ago in the case of St Michael's Hospital. We get a lot of regular financial reporting from the hospitals. If a deficit situation or some other issue arises that is of significant concern, the minister has the ability to appoint an investigation team.

Mr Tilson: At least from my philosophy, and I believe the philosophy of our party, sometimes governments can interfere too much. At the same time, issues have developed, and one that appears to have developed at the Toronto Hospital is the acquisition of very expensive equipment of which the servicing can only take place from California, I believe. Some time was spent on that subject.

You're telling me Mr Wessenger can educate me. I'm sure he can, but I would like you to talk in general terms. If that type of problem is occurring at Toronto Hospital, then presumably it could be occurring around the province.

Mr Decter: In terms of types of problems, if we're speaking specifically about the acquisition of computer hardware and software, I think it's fair to say it's been an issue right across the country. I've been involved in a couple of other Canadian jurisdictions. Hospitals have not been immune to the problem that many organizations have suffered.

Frankly, there've been two issues. One is that computer technology has changed rather rapidly. Often, by the time you implement a system, someone has come along with something that seems better. There are major teaching hospitals in other jurisdictions in this country that have been through three complete hardware-software-mainframe investments in 15 years.

This is not an uncommon problem. It's not a problem unique to the hospital sector. Many other organizations have made a choice and invested and then have come to find, particularly with the movement to much more use of minicomputers and local area networks, that the big mainframe solution that was favoured for a couple of decades has been overtaken, in many instances, by much smaller computers linked together. A lot of organizations have found themselves in the position that by the time they got the system up and running, it looked like it was not as good a deal as it was when they made the decision.

Mr Tilson: That's my very point. We all know that. Even a small businessman knows how fast equipment, particularly computer equipment, can become redundant. It can simply become out of date. Knowing that and knowing that the government is giving a substantial amount of transfers to hospitals—I'm not just looking at the Toronto Hospital—I'm looking at what your ministry's philosophy is as to what requirements hospitals should have before they make substantial acquisitions.

Mr Decter: Here we did seek and receive repeated assurances that our operating funds were not being used in this area. Our view would be that the hospital boards, broadly representative and containing in every instance significant private sector expertise, have to acquire equipment they think will meet the needs of the hospital, based on the recommendations of the management of those hospitals. There are 223 hospitals out there and they will have different needs and make different decisions.

There are some situations, and I would single out Sunnybrook, where they've been able to do quite remarkable things in terms of costing to the patient level with their investments. We certainly encourage the hospitals to talk to each other through the OHA and through other forums, but I don't think this is an area where a provincial policy or a provincial decision would serve the interests of the hospital system very well.

If you think about it, there's just such a range of needs. There's often a lot of difference in the individual investments that may already be in place. Some hospitals have automated parts of their operation; admitting, or patient records. There may be a case for the province taking a look at this and seeing what the experience has been, but my view on this is that this is like the acquisition of other types of equipment, something hospitals need to be accountable for, and 223 of them aren't going to get every decision right, but that's just one of the realities of us all being human beings.

Mr Tilson: Mr Chairman, perhaps other members of the committee—

The Chair: Mr Cordiano had a supplementary. I'll allow one supplementary, then we're going to Mr Frankford.

Mr Joseph Cordiano (Lawrence): Can I then go on to my questions?

The Chair: Mr Tilson used about 18 minutes, and I was going to allow Mr Owens and Dr Frankford to share about 18 minutes.

Mr Cordiano: Are we not doing this in rotation?

Mr Tilson: We go clockwise.

The Chair: We go this way. We started with Mr Tilson.

Mr Cordiano: My supplementary probably—I'll give it my best shot to be brief. I think this question is more broadly based in terms of its perspective, because what emanates from the audit that was done on the Toronto Hospital leads us to a variety of conclusions, which I think would probably have me think that there could be more problems associated with systems, with a general approach, or the lack thereof.

My question surrounding this area would be the fact that the Ministry of Health should perhaps be looking at policies that could be used across the entire system, that should streamline the process for each of the hospitals, because why reinvent the wheel each and every time when you're making purchasing decisions? I think those things ought to be done, and what I'm hearing from you is that the Ministry of Health either hasn't looked at this or hasn't implemented any plans with respect to that. In fact, you're not even thinking about changing the system with respect to those decisions.

1040

The whole structure and the whole way that hospitals have been operating, in my opinion—and that's an individual opinion—need to be changed, and that process needs to be commenced by this government, which is very seriously looking at eliminating costs across the board. I think part of the problem that we see here emanates from the systems that failed to work, and directions that—I'm not saying it should be a top-down direction, but it should be a process that's commenced, initiated, perhaps, by the ministry to look at the entire system, and then these sorts of problems can be avoided. I'd like to get your opinion on that view.

Mr Decter: We have established, the ministry and the Ontario Hospital Association, a joint planning and policy committee with some subcommittees, so I don't want my comments directed to computer hardware and software, to be taken as a general point. We are working very hard with the OHA to develop policies on funding, policies on service realignment, and policies on labour adjustment that cut across the whole sector, and it may well be a good idea to have that joint policy process also look at the issue of acquisition of information systems. I think it's important that it's joint, not the ministry doing it on its own—

Mr Cordiano: Oh, I agree.

Mr Decter: —because there is significant cooperative potential with the OHA, and that process seems to be working fairly well.

There are two existing joint purchasing agencies. The Hospital Council of Metropolitan Toronto runs one, and the Ontario Hospital Association runs the other. The hospitals in Ontario spend about \$2 billion a year on acquiring goods as opposed to services, everything from computers to drugs. The two agencies each account for about 15% of that—my last memory of the numbers—so about 30% of what the hospitals acquire is acquired through these two purchasing agencies.

We have provided some funding for a study to look at whether those two organizations should be merged and what the problem is: why they aren't playing a bigger role

in acquisition. The issue seems to be that the small hospitals use the agencies and the bigger hospitals have enough marketplace clout to deal one-on-one with suppliers.

We're looking at whether we can do a better job on that in two directions; one, frankly, to get lower prices out of more clout, but two, to get more economic development benefits for the province. Eighty per cent of that \$2 billion flows directly out of Ontario to mostly American suppliers, and there is a strong sense that we haven't looked at how much leverage we might have, not to subsidize people to locate in Ontario but to look, through those agencies, at how we might reinforce economic development in the province.

The Chair: Thank you for the supplementary, and thank you for the answer. We have Mr Owens, Mr Frankford, Mr Duignan: You're all going to share 18 minutes. I'll leave it up to you gentlemen as to how you're going to do that for the first round. If necessary, we're going to have a second round of questions.

Mr Owens: I would appreciate that, Chair.

I'd like to make some general comments as well as address some of the issues that Mr Decter has raised.

In terms of this audit, I have absolutely no doubt about its thoroughness, and I appreciate the work of the team that has gone in. I appreciate the work of Mr Archer and his initial report. I think, though, that in my view it's not the questions that are answered that cause me difficulty; it's the questions that are raised and left unanswered that cause me difficulty.

The issue with respect to Begley is one that I find extremely problematic, and Mr Decter, you've indicated that the ministry has reviewed this relationship and has felt that there is no basis for conflict. In terms of some of the issues that haven't been raised, I haven't heard anything about a value-for-dollar audit being conducted on this relationship: the kinds of projects that this contractor undertakes, the kinds of difficulties that have been incurred by the hospital in trying to enforce its obligations under the Occupational Health and Safety Act. I can assure you that many, many difficulties with respect to issues like asbestos removal, even in light of the fact that the hospital had been convicted in provincial court for violating the Occupational Health and Safety Act, for violating the asbestos regulations, continue to be a problem as a result of the relationship that this company enjoys with the hospital.

You touched on an aspect with respect to labour relations, and I can heartily agree with you that the labour relations conducted in this hospital have been absolutely abominable, to the point of reprehensible.

Yet another question I have in terms of whether it's the initial audit or whether it's even the supplementary audit: Why was there no look taken at the cost of labour relations, the type of work that was going on within that department, not in trying to reach agreements but in terms of the delay process, in terms of opting out of a provincially agreed-to process with respect to central bargaining that saves institutions like the Toronto Hospital Corp money, getting into two-year-long contract negotiations, getting into protracted pay equity negotiations? These are the kinds of questions that are raised by this audit and the supplementary audit.

The other concern that I have is in terms of the issue of the union's testimony. This committee is charged with a particularly important job, which is to look at the spending of the government. In my view, it doesn't matter which government is in. This committee has an obligation to hear from people who have concerns about the way in which taxpayers' money is spent. It's my view that the union didn't appear here to cause mischief. The union appeared here to relay concerns of long-standing concern around the operation of this hospital.

I can assure you that it is this committee and this government that have taken a hold of these concerns and have actually taken a look at some of the difficulties. This stuff didn't start happening the week before the union testified here. I can assure you of that, and now we're hearing rumblings about some kind of retribution being meted out to the person who placed the testimony on record. I can tell you that as a taxpayer taking off my coat as an MPP, if this kind of stuff happens, then we will never, ever have the open and free-flowing dialogue that is so important in trying to ensure that taxpayers are given the best value for their dollar.

For some reason, members opposite seem to think that the Toronto Hospital Corp has been completely and totally vindicated. But I'll tell you something: You look at the initial audit report, page 44, section 2.8—it talks about nine purchases totalling \$3.2 million: "Senior management would not provide us with documentation on the selection process. One purchase was for computer equipment costing approximately \$1.2 million. Senior management stated that these items were not funded by the Ministry of Health's operating grants and consequently were beyond the scope of our inspection audit." Code 4—politely put, "Buzz off; this is none of your business." Well, I'm sorry. That is our business. It's the business of legislators to be able to assess the value for dollar that taxpayers are receiving for their money.

So, in conclusion, Mr Chair, I'm concerned that people are going to walk away from this committee thinking: "Oh, bad union. A terrible person who came and launched these allegations against the hospital. They've been vindicated." Well, I'm afraid that there are still many, many questions that need to be answered. Again, it's unfortunate that we were dealing with a problem that has taken place in a historical context, and perhaps what this committee should be taking a look at is moving forward and determining how these problems cannot be allowed to happen again. The Ministry of Health is on the right track with respect to its public hospitals review, and I think that in terms of the role of this committee we should be looking to making recommendations as to how that accountability can be put into the process.

1050

The Acting Chair (Mr Pat Hayes): Mr Decter, do you want to respond to that?

Mr Decter: Just to say that where ministry funds are involved we insist on a public tendering process, and we also insist on a very detailed breakdown of costs which would show up any excessive payment. If a larger percentage

of a project was going in consulting fees, we would be aware of it. On the ministry-funded projects, on the hospital-owned source projects, where ministry funds are not involved, then, while we urge public tendering, that becomes really the decision of the board of the hospital rather than something the ministry has significant influence over.

I would just say on the labour relations front that it's important to recognize that the ministry is not the employer and that the obligation for having viable labour relations rests with the two parties at the level of the hospital. We do fund the process that provides for central bargaining through the OHA, and most of the hospitals in the province participate in that process. The Toronto Hospital, I believe, has not, but is now considering becoming part of central bargaining, which I think might go some distance towards resolving some of the issues.

Mr Robert Frankford (Scarborough East): I wanted to get back to the computerization question. I'm really rather surprised by the contention that this is something which hospitals should primarily do individually and that we recognize that there are the 200-odd hospitals.

I'm not a great expert on computers, but I'm not totally illiterate either. It would seem to me that there is a great deal that the ministry could do around setting standard criteria, which I don't think involves purchase necessarily but would set some standardized guidelines. Obviously, the health system is not just those 200-odd hospitals; the health system is a whole range of institutions and practitioners out there.

In the time we're talking about, the ministry made a major change in introducing individual health numbers, and I think that this is an indication of what will have to happen in the health system and the potential, when one can have unique identifiers, that this has to be part of an overall system. So without necessarily saying that the ministry should set precise specifications of the hardware, I would submit that there is a great deal that the ministry could be doing in setting criteria, and I don't see why they have to use the hospital association as an intermediary. I think this is something where one can use one's own expert and set some standards.

I would note that the system we're talking about here is apparently a proprietary American system, a rather closed system. I have not been able to gather really how much it would relate with other systems, and I've already asked for some technical information which I hope could be provided so that we can get some indication of the transferability of what they're doing here. I think it's very dangerous if hospitals get tied closely with individual proprietary systems. This, perhaps, gets me into another quick question on the amount of information and the number of studies that are provided on what is being done now that the Toronto Hospital is a teaching hospital.

I don't know whether this formally provides any obligations about publishing studies, but I think it's regrettable that we don't get good professional studies on what is going on. I hope the health care system is something which is based on science, based on professionalism, and where there's an obligation to publish and present exactly what is

going on. I've asked for that; I haven't seen anything provided. I don't know if the ministry has any formal clout here, but if it doesn't, then it's very regrettable.

I also raised the question about the district health councils' involvement. If one is getting into public policy around standardization of computer systems, standardization of information and outcomes, then it would seem that this is something which is very much desired, on a reasonable basis, at the very least. The Toronto Hospital certainly made a big move. I'm not sure what the exact status is right now of its comprehensive health organization, which I think clearly would require a major computerization of the enrolled population. I'm not clear how the Ultricare system ties in with that, but if it doesn't, then I think it's a missed opportunity. This is an area where the ministry has, to my mind, considerable leeway in setting some standards.

Mr Decter: The ministry has been actively involved. In fact, all of the ministers of health from across the country have recently moved forward on a national health information institute. There are two existing organizations that set standards for information in the hospital sector, MIS and HMRI.

The concern among ministers was that in addition to those two very hospital-focused organizations, which were member-owned but funded essentially by government through hospital budgets and sometimes directly, that Statistics Canada had developed a health information centre and that Health and Welfare had. Ministers nationally have taken a decision to put those four entities together—it's going to take a little time—and to try and get comparable health information as well as hospital information, so that hospitals and other health care providers and consumers can compare. Both MIS and HMRI have been valuable in that regard. Hospitals can get comparable data. They can look at how they stack up against their peers across the country, across the province. It's been a very important management tool.

I think we have to distinguish, though, between the automating of functions inside a hospital, which is what mostly we've been about, and the integration of those automated systems outside the hospital, the external links, which we have not done very much about. One of the driving reasons for moving to the unique identifier in terms of the health number was to be able to get data that could be used across the whole health sector, not just in terms of an encounter in an individual hospital. We are making progress there, although I wouldn't be surprised if this committee wanted us back, after the auditor reports, to talk about the health card. We would welcome an opportunity to come and tell you what we're doing to address problems in that field.

The Chair: Mr Duignan, real quick.

Mr Noel Duignan (Halton North): Well, I have a number of questions, but I'll try and put them very quickly.

One, does the Ministry of Health have a set of conflict of interest guidelines for hospitals? Two, going on your earlier comments, first of all you said you're basically satisfied with the arrangement of Begley and Associates with the hospital, but then you said that where public money is

involved, you'd like to see a tendering process. The auditor is concerned that Begley and Associates, which has been with the hospital for some 10 years, has never been tendered. Are you concerned about that? I'll just leave it at that, because I don't have enough time to ask more questions.

Mr Decter: I'll ask Pat McGee to speak to that. I think there's a distinction here between the hospital's decision to, in essence, have this ongoing relationship, which is really a function that in other hospitals is performed by direct employees, done on a contractual basis. There's a distinction between that and individual capital projects in which we insist on a public tender. Maybe Pat could speak to that briefly.

1100

Miss Pat McGee: On each of the letters we send out on a capital project with the approval, we ask for proof of public tendering, and we look for the advertisement in the paper before they're funded. So we insist on public tendering of all capital projects for which ministry funding is provided.

The situation with Begley is that all the large hospitals I know of have planning departments. They have huge physical plants that need a lot of engineering expertise to maintain and they all have some form of planning expertise in-house. It's my understanding that Toronto Hospital uses Begley; they've gone on contract with him rather than hiring someone directly on to the staff. It's been a long-term relationship.

I do not have any documented evidence that we questioned this, but I know we did question it over the years. Every time there was a new director in the capital planning branch, it was questioned.

Mr Duignan: The auditor has expressed a concern. It says, "I think we as auditors are generally concerned, whenever we come across a process where competitive situations do not exist, that there's fair and equal access to all potential suppliers."

We still, as a committee, do not know the amount of money we're dealing with. That's one of the questions we're still waiting to be answered by the auditors. It's a concern I have. This same gentleman is using public space provided by the taxpayers of this province to get other contracts, even though they may be small, outside the hospital.

Mr Decter: All I can say is that in terms of the specific financial issues and the ongoing maintenance activities, those are questions that I think would be best directed to Dr Hudson in terms of the hospital management. Those are decisions that they make in the same way that any other hospital might make a decision to use its own maintenance department to do something or to go outside and tender it.

What I'm saying is that when it comes to the major projects, which are capital-funded by us, they are compelled to go outside, they are compelled to issue a public tender, and they have done that. We certainly support the auditor's view that a public tender process is the best way of ensuring price and quality, but the Begley and Associates issue I think is really an issue of the hospital choosing to operate a certain part of its planning function on a contractual basis

rather than a staff basis, if you like, a direct employee basis. That's something we've been aware of, that we've looked at from time to time. As I say, we have not had cause to come to question it.

As to conflict-of-interest guidelines, the ministry has a code of conduct for its employees. I could not answer specifically whether the Toronto Hospital has a specific conflict-of-interest regime applying to its own employees.

The Acting Chair: Thank you, Mr Decter and Miss McGee. Mr Cordiano.

Mr Duignan: Mr Chair, that wasn't the question I asked. The question I asked is, does the Ministry of Health have a set of conflict-of-interest guidelines for hospitals?

The Acting Chair: I guess you want a yes or no.

Mr Decter: I don't believe we do, but I'd be willing to look into what we have done on that over the years.

The Acting Chair: Mr Decter, can you get that answer back to this committee? We'd appreciate it.

Mr Decter: Yes, we'll provide a more formal answer.

Mr Cordiano: Let me start off by asking your view with respect to changes that are planned or that we hope to have in place some time in the future with respect to the Audit Act, which governs the Provincial Auditor with respect to what he can and cannot undertake.

It is our view, and I think I can say this on behalf of the committee, that we're looking to make changes to that to allow for the auditor to make value-for-money audits in the quasi-public sector. What would be your view on changes to the act in respect of that? Would you welcome such changes in order for us to conduct that kind of assessment on the quasi-public sector?

Mr Decter: I'm tempted to take the view that, as that's a question for legislators to eventually decide, it's dangerous ground for a non-elected official to have a strong view on. At some point, the assembly of this province will have to pronounce on that issue.

Mr Cordiano: Let me ask you in another way, so it might not be as much a political decision as it would be one from an administrative point of view. To improve efficiency, would it be favourable for this system to have in place value-for-money audits itself—leaving aside for the moment the role of the Provincial Auditor—to set itself up to do value-for-money audits, changing its very nature in terms of the systems that are in place now, so that when those audits arise, in would be in place for that to occur as time goes by? Would you agree with that initiative?

Mr Decter: Very strongly, and I appreciate you rewording the question so that I could give it a more direct answer. I would strongly favour the use of value-for-money auditing in the sector. We have a very good recent example: The Queen Elizabeth Hospital undertook a process, I think influenced somewhat by their chairman, Gordon Coperthwaite, who's a long-time pillar of the audit profession in this country and advocate of comprehensive audits. I was pleased to endorse their report and encourage, through them, other hospitals to do the same thing.

The difficult issue, of course, is who should do it. To what extent is it a function of the hospital internal audit?

To what extent is it a function of the hospital's external auditors? To what extent is it a function of the Provincial Auditor? Should all three do it? That's the question that's a little dodgy for me.

But should it be done? Absolutely, yes. I think there's nothing but value to be gained from a greater focus on value for money. The whole shift we're trying to make in the health business is from looking at inputs to looking at outcomes. That's very consistent with the value-for-money approach, which starts to ask not "How much are you spending?" but "What are you getting for what you're spending?" I think it's entirely consistent with everything we're trying to do as a ministry.

Mr Cordiano: I'm glad to hear that, because that requires a philosophical shift, if you will, in terms of managerial approaches. It's something that obviously this committee is very interested in. Hopefully, we'll be heard across various ministries in the government as well as in the quasi-public sector.

The auditor has been attempting to do this in a variety of ministries, and obviously that's been ongoing for some time, but getting to the quasi-public sector is a real challenge for us: We're going to require legislative changes in order to have the auditor conduct the type of audits which he now has the authority to conduct with respect to the public sector.

I think it would be at the direction of this committee, at least in my opinion, that we move towards having the auditor play a role in the outside inspection audit at some point in the future. If you are undertaking changes with respect to the internal workings, as you've suggested, and the managerial approaches and value-for-money kind of management, then from my point of view it is important that as a legislative body we have a public accounting, if you will, of the kinds of expenditures that are being made now and not given that value-for-money accounting.

I think it's important. The point I'm trying to make in a long-winded kind of way is that the auditor will begin to prepare the office for that type of scenario, and I think the sector has to do the same thing: You set your management systems in place in order to allow for an external audit to take place down the road, so that it's built right in. I don't know if I'm making myself clear here.

1110

Mr Decter: I think it comes full circle to the availability of the information. If you only keep data on inputs, then it's very hard to get at value for money, so part of the shift that has to take place is a lot more emphasis on outcomes and what outcome we should be expecting.

In the case of the health sector, we have put some considerable funding into an institute at Sunnybrook. It's a joint venture of the government and the Ontario Medical Association, very much to start to get at, what do we know about outcomes and how do you begin to factor the outcome data in? Then you've got something, in my view, to audit, and you can come and look at, how is this hospital doing relative to its resource use and its outcomes compared to some other hospital? That's very much the push that we're making.

It seems to me that serves everyone's interests. It serves the interests of the internal audit on an ongoing basis and it also serves the interests of an overview or external audit by having the information there. Without a good information base, it's very hard for anyone to do more than ask some tough questions.

Mr Cordiano: Hearing that, I would like to revisit this question at some point in the future and to ascertain what kind of progress is being made in that regard. Perhaps you could shed some light on if there in fact is a time line that you have or some kind of general scheduling of this, when it's about to take place. What do you foresee?

Mr Decter: I think it varies a little by program area and sector. The institute at Sunnybrook is very much focused on the \$4 billion of expenditures on physician services. The efforts in terms of case-costing in the hospital sector are very much focused on that sector and the \$7 billion-plus that we spend in that sector.

There are other more focused efforts under way in the drug program to get at utilization, and utilization becomes a bit of a proxy for outcome in terms of looking at effectiveness and appropriateness, not simply, what did it cost us and how often did it happen?

It's not going to be a decade before we have progress, but I think it is going to be most of the 1990s before we've got the whole system turned around from looking very much at how much money's being spent or how many beds there are to looking to, what are the health outcomes and how does the resource use match with getting those outcomes?

Mr Cordiano: I realize that, but I think there are some things that can be done, as we look at the question before us with respect to Toronto Hospital, that would not take those lengthy time lines, because you're not measuring outcomes that are health-based but rather economic decisions. That's probably the initial thing that I think ought to be undertaken.

We can revisit this question at some point; I think it would be useful to do that. I know around here one does not really know when we will get to that, but I think it would be something of interest to me, to look at what kind of plans are being initiated in that regard.

Mr Decter: I think it is very important, though, to link to the health data. I know there are difficulties with that, but it isn't just a matter of what a day is costing you in a hospital but, how is the length of stay, compared to peer hospitals? If people are keeping patients in too long, then their average cost goes down but they're not necessarily providing better or more cost-effective care. They may simply be providing more care than is necessary. You need to have some good data and look at issues like lengths of stay, of case-costing.

Not to slight in any way the Toronto Hospital, but if you want to have someone in to show you where the leading edge is in this field, I believe Sunnybrook is very much on it. We're encouraging a lot of other hospitals to look at how it's dealing with these issues, because it seems to have got a good way down the line in terms of being able to provide information to both providers and consumers.

Mr Cordiano: Perhaps they could provide us with the kinds of examples that would help our committee to deliberate in that regard. That's a good suggestion. I think we might look at that, if it's agreed here.

The Acting Chair: Mr Tilson, you have two minutes left.

Mr Tilson: I'm sorry? How many minutes?

The Acting Chair: Isn't that what the previous Chair said? I thought I heard him say you had two minutes and then we'd start rotating, then we would start back again.

Mr Tilson: Two minutes? It'll take me two minutes to ask the question.

The Acting Chair: Try it.

Mr Tilson: I don't know whether you've seen the questions Mr McLellan prepared for our assistance today. I'd like specifically to refer to page 4, question 18. That of course has to do with the high isolation unit, which was raised as one of the concerns of the union, specifically on pages 15 and 16 of the auditor's comments.

If you turn to page 16, there's the heading "Use of the Unit." Obviously, there's a problem with this unit, and the question has been, has the Toronto General decided on the future of this unit, and what is the ministry's role in the review?

I don't know whether we know the answer to that question from the hospital's perspective, but since the ministry funded this thing from the outset, and since I read under the heading "Use of the Unit," "From the completion of construction to the time of our audit, the unit has never been used for the purposes intended," and then it goes on, I'd like you to comment on this subject.

Mr Decter: I'll make some general comments and then, given her greater familiarity, I would ask Pat McGee to either correct or simply supplement what I've had to say.

I think the high isolation unit is an example of an investment that was made to anticipate a problem. There were two cases of Lhasa fever, or suspected Lhasa fever, in the late 1970s, and there was considerable concern. I will say one of the motivating forces, generally, for some of the expenditures we make is public concern about things that are unknown and unusual. We went through this with the meningococcal disease earlier this year and did some inoculation that I think if you looked at it in hindsight, you'd say, "Well, we probably did more inoculation in some areas than hindsight would say was a good idea." But at the time there were very profound concerns about the spread of that disease.

We have not had, fortunately, any recurrence of cases of Lhasa fever, to the best of our knowledge, since that initial concern, and I think it's fair to say that the isolation unit has been passed by as a concept by medical thinking; that it was a concept that at the time people embraced and the ministry pursued and funded and that there is some question about whether there is a role for that unit. I believe we've asked our public health people to have a look at what's going on and to perhaps deal with the hospital on it, but I'd ask Pat to add any comments about the history of this.

Miss McGee: As I recall, the situation was that there were travellers from outside Canada, Canadians, who could not be treated, and they were having to go to other countries for treatment if they had acquired this disease. So it was built by Ontario as a national resource and it was being built with the cooperation of the federal people, using their guidelines, but it was a very new disease and a leading edge. So there was difficulty in getting the unit approved because the standards, as they increased knowledge, were changing as rapidly as the changes were being made.

The hospital built it at the request of the Ministry of Health. They have subsequently asked us if they could please dismantle it and use the equipment for other purposes. We've tried to maintain staff competence in the use of the equipment in the room, because they always had to be ready in case there was an illness. As Mr Decter has said, we've asked our public health people and our laboratory experts to look at it, to see if we still need it and if we could dismantle it.

Mr Tilson: Again, I'd like you to refer to question 18. As I understand it, you've adequately expressed what has happened, and I appreciate that, but could you provide details as to where you're going to go now? You say you're going to look at it, but what does that mean? Is there going to be a formal review of some sort for this dismantling?

1120

Miss McGee: Yes. We have asked our laboratory people and our public health people to determine whether there's still a need for the unit and whether it would be appropriate for us to dismantle it and use the equipment for other purposes.

Mr Tilson: So the answer is yes, you're participating with the hospital in a review to determine what you're going to do with it. Is that what you're saying?

Miss McGee: Well, it's a ministry project and ministry people will decide whether they need it to continue.

Mr Tilson: When do you expect that to be completed?

Miss McGee: I would think three months at the outside.

Mr Tilson: It just seems that a decade has gone by and it hasn't been used. It's a long time to not use something.

Miss McGee: Well, it was a preventive piece of equipment.

Mr Tilson: I understand your comments, yes.

Miss McGee: In the history, one patient did arrive and we had to close down the Etobicoke hospital, because the patient landed there and we had to take everybody out of the hospital while they cared for him.

Mr Tilson: Mr Chairman, do I have another question?

The Vice-Chair (Mr Joseph Cordiano): You have one minute left.

Mr Tilson: I'd like to turn to question 23 which Mr McLellan has prepared for us. Mr Owens, of course, has spoken of the fact that the union-employer relationship has

not been the best, and that has become quite apparent. However, subject to what the union representatives are going to say—I gather they're coming to this committee next week—I believe the process has been abused. It certainly doesn't justify a group coming and making the allegations they have simply because of bad union-employer relations. I guess I'm getting back to the first area I started with Mr Decter. On almost every page you turn to in the auditor's report, there's no foundation for these allegations, or very little foundation for these allegations.

I guess I'm addressing question 23, whether it's this hospital or another hospital where there has been a breakdown in union-employer relations. I'll just ask the question as it's phrased: Are there established, or if not, are you going to establish, Ministry of Health guidelines on the procedures and process to be followed in addressing allegations such as those that have been put forward by CUPE; not only to you, Deputy Minister, but to this committee?

Mr Decter: I think one has to be careful to delineate differing kinds of allegations, because there are ranges of allegations and they call for differing actions. If there's an allegation that involves anything that might have the potential of the Criminal Code, it would be reviewed by our legal people, the Attorney General's legal people, and in all likelihood would be referred to the Ontario Provincial Police for investigation.

If it's something that involves an alleged financial misappropriation, then in our view it's an audit issue and either we would seek the assistance of the Provincial Auditor or, more appropriately, we would seek, through the hospital, for it to do that. We have that ongoing in one of our other agencies where there were allegations. The board of that institution decided to ask the Provincial Auditor to come in and have a look at the allegations. I think that's an appropriate step.

Mr Tilson: Mr Decter, I'll just take, almost at random, pages 8 and 9, for example, of the auditor's report. On page 8, the concern with respect to a \$5-million computer mainframe, there are comments about that that were alleged by the union. The auditor says, "We were unable to find any evidence to support this concern." There is the comment on page 9, "Patient files have been lost." Auditor's response: "We were unable to obtain any evidence that patient files had been lost."

Surely this is something that's serious enough, when you have health employees making allegations such as this, which has obviously caused this committee a great deal of time and has caused the hospital a great deal of time, and the statements are not accurate. Therefore, I think question 23 is quite relevant.

Mr Decter: I'm trying to walk you through an answer. It depends on the gravity of the allegations and what we do about them. If it's a simple matter of an allegation on which we have fact the other way, then we so advise our minister and no action is taken. Usually, the person making the allegation is informed that in our view there's no evidence to sustain that.

In many cases, these are really things that are not known to us, but are known to the hospital. They involve

the detail of an internal operation of a hospital. It is, in our view, an issue that needs to be dealt with by the board of directors of that hospital.

Mr Tilson: When these allegations were made to you, Mr Decter, you indicated that the union had spoken—I don't know whether that was necessarily to you personally, but to someone on your staff—and similar allegations that were put forward to this committee, what did you do as deputy?

Mr Decter: I asked, first of all, for staff and the ministry to give me a briefing on these allegations. I think, as evidenced, some of them were issues of long-standing, which had been looked at on other occasions; some of them were new issues. The second step I took was to meet with Dr Hudson and obtain the hospital's view of these issues. He indicated to me at that time that he took it as a very serious matter, and that he had asked, I believe, the Provincial Auditor to come back in—this was subsequent to one visit—and have a look at these allegations. Since that process was under way, I was satisfied the allegations were going to be addressed, but I'll come back to it.

There are many concerns raised in any workplace. One of the things we have not done very well and that we're trying to do better is to find a way for front-line workers not simply to raise concerns and have them, in many cases, not answered. I'll take this criticism in my own ministry. We have had a committee on which the bargaining agent is represented, and when I met with them, shortly after I took this job, their most significant complaint was they'd raise concerns and then they'd never get an answer as to whether there was any substance or not.

I think what we're trying to do is involve front-line workers in a constructive way so that they're not just making complaints, but they're able to participate in making suggestions about how things might be improved. We've had tremendous support from the OPSEU members, within our ministry, in putting forward ideas on how to reduce expenditures, how to work more efficiently.

Mr Tilson: So what you're telling me, Mr Decter, is that currently, the Ministry of Health does not have a process to deal with allegations such as this but you are in the process of developing a process.

Mr Decter: No, what I'm telling you is there is not a single process to deal with a wide range of allegations. There are differing processes set out in government—in some cases in statutes and in other cases in regulations—as to how various types of allegations are dealt with and we follow those, but there is not a single process to deal with a complex range of differing concerns.

1130

Mr Tilson: I guess the concern I have is that a series of allegations, whether it comes from a union or employees or whoever, comes forward. Somehow these allegations ended up before this committee and it seems rather strange that the Ministry of Health does not have—it's a very expensive proceeding to send them. I think it was four days we sent these people out to review these very serious allegations many of which, it seems to me, could have been addressed by the ministry.

It would appear to me that currently, there does not appear to be a process to deal with any allegations of any sort. I appreciate that there could be criminal allegations at one extreme and a loss of paper clips at the other. I understand that, but I think it's a legitimate concern that hopefully will be addressed to have some sort of procedure in the Ministry of Health to deal with concerns of workers, of just people in the health system, of waste, of—I don't know—improper conduct, of outdated material, all these topics that have been raised. That procedure doesn't appear to exist.

Mr Decter: I must say I disagree completely with your characterization of my response in the current situation. I believe that allegations that are made are, and in this case, were investigated. I cannot assure you that in every case the people making the allegations are going to be satisfied by the ministry response. In fact, there were calls from some of the people involved to put the hospital under trusteeship, which is something which is in the power of my minister to do. That step was not taken, but we were very concerned and we were pleased that the hospital had asked the Provincial Auditor to come back in and have another look.

I just would say that I believe we do an extremely thorough job of looking into allegations. There are a vast number of them, if you understand the size of this system, that come our way, but where there is more evidence that something isn't working out there of a general sort—we try and get them to the right body if they're concerned. That should properly be at one of the regulated health professions. We have a steady stream of patient concerns about individual cases. Those are appropriately dealt with whether by the College of Physicians and Surgeons or one of the other bodies.

I guess I'm trying to say that we don't have a single process. I don't want to be in any way agreeing that there is no process. There are many processes. They were followed in this instance. There is a great deal of ministry work in looking at these allegations. At the end of the day, the auditor has more scope than we do to go in and actually look at the detail, as they did in this instance. There are other cases where we've asked either our own internal auditors or the Provincial Auditor to look at institutions that we fund.

Mr Tilson: Mr Decter, in dealing with these allegations that were made by the union, does your ministry have any documentation that this committee could review to determine how the ministry dealt with these specific allegations?

Mr Decter: I believe we could certainly provide some information. The committee received these allegations in a more complete form than the ministry did. Some of them were things that were conveyed to us verbally.

The Chair: To add to Mr Tilson's request then, could we get a copy of the allegations and the form in which you received them and your response on what you did?

Mr Decter: To the extent that it exists in hard copy; much of this was conveyed to us verbally and many of the responses were verbal. There were meetings that took

place. There's no transcript or minutes of those meetings, so I cannot go on more than memory of that.

Mr Tilson: This committee is not treating these allegations lightly, and if they are not founded, we will be very concerned. I think the Chairman's question and my question were that we need to have information to be fair to everyone, to be fair to the union, to be fair to the hospital and to be fair to the ministry.

Can you make available to this committee—we're proceeding next week, I think—all documentation and notes that you have that can assist us as to the concerns of the union, the action taken by the ministry and any other response in dealings with the union on these allegations?

Mr Owens: On a point of clarification, Mr Chair: What is the intent of the member to do with the information should it be provided? What do you expect this committee can do?

The Chair: Please go ahead, Mr Tilson, and answer the question.

Mr Tilson: This committee, in the open process that I believe we have in this committee, responded to very serious allegations, very shocking allegations. I can remember when the union came here to make these allegations. We've now had the Provincial Auditor's office spend four days on these allegations and it has come through, page by page almost, saying that these allegations are not substantiated.

It gives me great concern that we've spent taxpayers' money on this open process, in the trust of this union coming forward in these allegations, notwithstanding the difficult situation that may have existed in the past between the employer and the union; notwithstanding that, we have properly dealt with these allegations.

I am concerned now about the process the ministry has in dealing with allegations, the similar allegations that were made to the ministry. I am concerned with the process that was followed by the ministry in dealing with these allegations. I am concerned as to whether or not these same allegations were made to the ministry or whether they were different allegations. I'm concerned that because we have gone through this process, I don't believe this committee has all the facts before it to properly determine whether or not these problems exist or whether there are other problems.

Mr Owens: My concern again, Mr Chair, is that I don't have an understanding of what the member wants to do with these pieces of paper should they exist.

The Chair: Maybe I could tell you what I would like to do with them. I'd like to be able to review the complete file that is within the Ministry of Health. I'd like to compare the allegations made to the ministry as to the allegations made before this committee. I'd like to see the response compared to what the auditor found. I'd like to have an idea of what the mechanism is with inside the ministry and how it handles these serious matters. I'd like to be able to know whether or not this committee, with the help of the auditor's office, could give advice to not only the Ministry of Health in this particular situation, but maybe in future situations. I think we've got a lot of information here, but there's also a lot of loose ends.

Mr Owens: I don't disagree with the member's request. My concern is that throughout his comments, there's a vague insinuation that there should be some sort of retribution meted out to the union, and I want to tell you publicly again—

The Chair: I have nothing—

Mr Owens: —that I fully disagree. The group came here as taxpayers.

The Chair: I hope you're not insinuating that my comments were—

Mr Owens: If we went after every group that came before a—

The Chair: Order, please.

Mr Owens: —a legislative committee—

The Chair: Order, please. I hope the member's not insinuating my comments were in the same light.

Mr Tilson: On a point of personal privilege, Mr Chairman: I am concerned about those suggestions. If you listen to my answers and read them in Hansard, you will note that I qualified my comments. I am not forming any conclusions until I've heard the union come back and explain its point of view with respect to the position that's been taken by the Provincial Auditor's office. I want to have all the facts before. I haven't made any allegations; I've made suggestions that at this particular point in time—

Mr Owens: Who suggested you made allegations?

Mr Tilson: Well, that's what you have said. You've said that there's a hidden innuendo—

Mr Owens: No one suggested you made allegations.

Mr Tilson: Mr Chairman, through you, there has been a suggestion of innuendo in my questions. I have suggested the word "mischief," yes, I have, because at this particular point in time, that's what appears to have—

Mr Owens: You have to prove intent.

Mr Tilson: Let me finish.

Mr Owens: Can you prove intent?

Mr Tilson: That what appears to have taken place.

The Chair: Order. I think all members have had a chance to express their views on this. I understand the points of view of both members and respect their points of view. I think at this stage we have to decide what information we want. When we receive the information, I will leave it up to the best judgement of each individual member as to how he wants to use that information.

I want this information because I want to be able to compare the allegations that were made before this committee with the information given to the ministry. I want to be able to compare the ministry actions and responses as to what was found by the Provincial Auditor. I want to be able to give some thoughtful consideration to whether or not we can be of assistance to the Ministry of Health, and therefore to the taxpayers of Ontario, in how future situations similar to this may be handled.

I want to know whether or not the ministry took the matter seriously. I want to know a lot of things, and these pieces of information that I'm requesting are going to help fill in and colour in the entire picture that is not yet clear.

So I'm hoping that with the assistance of the committee we can request this information.

1140

Mr Owens: And I fully agree, in terms of ensuring that when one is colouring the picture we have the full spectrum of colours, that one wants to ensure that we also have the hospital's process in terms of dealing with the complaints within the time frame by which these concerns were raised.

In terms of what Dr Hudson is doing now, as Mr Decter quite accurately points out, he is attempting to make strides with respect to the operations of the hospital, with respect to the labour relations issue. However, we've got a snapshot of a period, whether it's the view of the initial auditor's report or the view of the second audit report, that is problematic from many, many respects. Unlike some of the comments that I've heard, I don't accept the second report as *prima facie* evidence of clearing of the hospital. As I mentioned in my initial comments, there are many, many questions that still need to be answered with respect to the operation of this hospital.

Mr Tilson: Are you challenging the integrity of the auditor's office? Good heavens.

Mr Owens: Oh, please, don't play games. Grow up.

The Chair: Order. I think we've all had a chance to put our points of view across. Is there is a consensus on the committee that we request this information that I've outlined?

Dr Decter, could you please provide this committee with the information that we've requested in regard to the allegations that you received, the manner in which you received them: writing, verbally, the ministry responses and all documents, papers and things that would make up the entire file?

Mr Decter: With the very important caveat that a great deal of this is not a written record and a great deal of this happened a good time ago and was done verbally and involved a number of people.

So if there's an expectation that the ministry itself had conducted a parallel examination of these issues, it did not, because it was aware that the Provincial Auditor had been asked by the Toronto Hospital to come back in and look at these issues. So I don't want to leave anyone here with the impression that the ministry duplicated the work of the auditor. We did not. We assured ourselves on the issues that we were made aware of, of what our advice to the minister was, and I've outlined that to you today.

So we will certainly look at what we have, but I'll be very direct with you: We don't have a lot of resources available to try to reconstruct events of some period in the past. I can tell you in a general sense that we were aware of the allegations and we took what we viewed as appropriate action to see them addressed.

The Chair: Dr Decter, there are two points I'd like to make. One, just as a matter of simple clarification. The Toronto General Hospital did not request the auditor to go back in; that decision was made here in this committee.

Second, I understand the conditions that you're placing on the producing of this information. I think the request of the committee is that you give to this committee all papers,

documents and things which relate to the file that we're discussing, and I think we're all clear on the matter that we're discussing. When we have a chance to review the information that you're able to provide us, it will then be up to the committee to decide whether or not that is enough information or whether or not we're going to need the good services and cooperation of your office to continue in our efforts to try to get the whole picture in some kind of chronological order that can be understood.

We're talking about many millions of dollars, a great effort by this committee. We've not undertaken this work lightly and we just are not going to be able to sit here and hear from yourself or anyone else that: "It was a long time ago. It wasn't all in writing. We can't remember all of these things." Unfortunately, if that's the major part of the information that we're going to be receiving, we're going to have to just keep digging a little bit harder. We're seeking your cooperation and we're seeking to work with you. We're providing you and your office every piece of documentation that we have as quickly as we have it and we're asking you to do the same.

Mr Decter: You have our full cooperation. I may have misstated—and I will ask Pat McGee—I may have misunderstood which auditor the Toronto Hospital had asked. Is it that Dr Hudson asked the hospital's own auditors to have a look at these matters?

Miss McGee: I think when Dr Hudson first took over as president he was concerned about labour relations and instituted an investigation into that, because he was very concerned. He had a number of audits done and investigations of activities within the hospital.

Mr Decter: These were done by—

Miss McGee: I think it was Ernst and Young.

Mr Decter: Let me just correct that. My impression from my conversations with Dr Hudson have been that—

The Chair: Actually, I don't want the conversation, because other members have things they want to ask you, and time's very limited. I'm not here to condemn anyone; I'm not here to make any premature judgements or premature decisions. I just want to express the view of the committee that we've requested these documents and we would hope that in a timely fashion we could receive them.

Mr Tilson, I don't think we have any more time for questions from yourself. If the government party wishes to take another three minutes for further questioning, we have that time. Then I'm going to allow Mr Cordiano three minutes, and then we have one final matter to deal with before we adjourn today.

Mr Owens: Just a quick question to Mr Decter: In terms of the process that you've undergone here today and in terms of the reading of Mr Archer's initial report, the auditing team's second report, I guess I'd like you to know that in terms of pointing fingers I'm not interested in this at this point. What I'd like to understand from the ministry perspective is that there's now an understanding that accountability processes need to be built into these institutions. I'd like to have an understanding that when the dust finally clears on this particular issue, we're going to be

able to go forward as a government and to insist that these kinds of accountability processes are built into the process.

Mr Tilson referenced question 23 on the list in terms of guidelines and procedures. I think that question is intended more for a process within an institution to answer these allegations or questions or problems, so we don't have to get to this point where people are hauled before a committee and discussions about having to be sworn in. I'm concerned and I'd like to know from your perspective how you view the process that will take place after the dust is clear on this issue.

Mr Decter: My insight into relationships among various people at the Toronto Hospital is less than perfect. Every sign I've seen suggests that there are a more constructive attitude and some processes in place and labour and management working together, which is encouraging.

To take your first question, the broader one and probably the more profound one in terms of our operations: The strengthening of the accountability system, both inside the hospitals and between the hospitals and the community, is the central task of the Public Hospitals Act review. The reason that three years ago a steering committee was appointed was largely the accountability issue. That has been to some degree obscured by a rather lively debate over governance and some of the other issues that come into any reworking of the act. But at the core of the ministry's concern from day one on the Public Hospitals Act was strengthening the accountability, and one need look no further than the report of the investigation team into St Michael's Hospital to understand some of the problems that have existed historically and some of the situation.

I have to tell you, from my perspective as deputy minister, the situation at St Michael's Hospital was a very serious one. The situation at Toronto Hospital seems to have been one in which there were very serious allegations, but the hospital is in good financial shape, the hospital is performing well, and one has to draw certain conclusions. I'm far more worried about a replication of the St Michael's situation, and we have taken a number of steps to strengthen the reporting of financial results to the ministry and sent some very strong signals to the hospitals about our expectations of their auditors in this process. All of the hospitals of this province have qualified audit firms that audit their accounts and report to their boards, I think in most cases through audit committees. That's how corporate governance works in this country. We place a good deal of faith in that, and we think we get generally excellent results from that.

1150

In the St Michael's case, there was evidence that we weren't being as clear, for example, about what moneys might be owed by the ministry to a particular hospital or what our policies were on deficits. We've been painfully clear to the hospitals in the last several years about those policies. I don't think there are any illusions out there on the part of any hospital trustee as to the ability of a hospital in this province to run a deficit and expect the ministry to fund it. We simply will not.

So it's a tougher environment, and I think there is more emphasis on accountability, but not just of a financial sort. There needs to be, in the hospitals, more accountability of the hospital to the community—and I think the opening of board meetings is part of that, but not all of it—and more accountability of the management team to all of the people who work in the hospital and more transparency to how the hospital process functions. We see some encouraging developments that way, and the ministry will continue to try to encourage that, both by regulation and by guideline.

The Chair: Do you have a question? A brief question?

Mr Larry O'Connor (Durham-York): As you can tell, we've got some concerns that there has been a labour-management problem at the hospital. It has been raised by some of the committee members who feel that maybe this is part of why the audit took place.

I guess part of the problem also is there's a whole change taking place in health care right now. We're seeing a change, and the large institutions that have been around in the past aren't being utilized as effectively as they could be, with vacant beds and what not right now.

Right now, then, we're seeing a whole shift there. I know the ministry has been encouraging the hospitals to talk to their employees, make them a part of the change in the direction of health care, and it appears that maybe some of the problems we've got here could be some of that as well. I was just wondering if you could outline a little bit how that direction is going and how it's being received by the hospital community and if you had any direct contact with any hospitals in particular that have difficulty in dealing with that.

Mr Decter: In general, the guidelines that I distributed earlier, which are guidelines that are being used by each and every hospital in the province in terms of the planning for the future, do set out some very direct expectations about the involvement of people in the hospital on one side and the involvement of the district health councils on the other.

I'm very encouraged by what I see. Far from there being lots of bad examples, there are actually plenty of good examples of hospitals and their workforces rolling up their sleeves and getting down to the business of managing health care in a tough time. I guess I put at the top of the list that there are now 150 hospitals in the province that have labour adjustment committees that have been established in the past six months. There were none six months ago.

This was an initiative jointly of the ministry, the Ontario Hospital Association and the health care unions, I think a very constructive initiative, to put in place the machinery to deal with the staff adjustments that are going to take place. Hospital services are shifting to an outpatient basis. Health services are shifting away from hospitals towards the community, and we need to reskill and retrain a good number of workers to make that shift.

The nature of work in the health care business is changing, partly driven by the technology—we can do a lot more things without a hospital stay than we used to—and partly driven by changing societal expectations. Many women are not interested in a long hospital stay for birthing. In

fact, we're looking at three out-of-hospital birthing centres because there is real consumer pressure to move in that direction. So we're seeing a lot of changes.

I spoke at the Ontario Hospital Association annual meeting twice this week and both times basically tried to reinforce the message that we're very pleased with what we see going on, that there's been remarkable cooperation and a lot of willingness to change old attitudes. I would say we have not yet seen that necessarily reflected in the collective bargaining process, but we remain hopeful that we will. This is a sector that, because of legislation, tends to go to arbitration frequently.

I'll stop there. I see the chairman's becoming impatient.

The Chair: Mr Cordiano has time for one question.

Mr Cordiano: Very briefly going back to the concerns, let me ask you, do you not feel that we somehow ought to be somewhat concerned with the lack of a formalized procedure in noting and documenting allegations that were made, no process to handle that? If that is in fact the case, it gives me concern, as well as others on the committee who have expressed their concern. I hope if that was the case, that in fact it will not be the case in the future, because what you've indicated is that there probably isn't very much that has been notarized as a result of the allegations that were made and any steps that were taken.

Mr Decter: Again, I will respectfully disagree. I think that when the Deputy Minister of Health of a province meets with people making an allegation and then subsequently meets with the chief executive officer of the hospital in question, that's taking the allegations extremely seriously. I can tell you that there was no lack of seriousness to our response to the allegations.

Again, I will say to you that in our view the people who are accountable for the vast majority of the issues raised here are the people who serve as directors and managers of the hospital, and, in the first instance, that's where we expect investigation to take place and remedial action to take place, if it's necessary. So there's no lack of seriousness here.

Mr Cordiano: I wasn't suggesting that.

Mr Decter: I can tell you we receive, as a ministry, five million calls a year, and there are many things that are alleged. Our job is to try and assess the seriousness and to try to take the appropriate level of action.

You cannot have, in my view, one process that is going to deal with everything from someone showing up in my office saying, "I was at hospital X yesterday and I got treatment I wasn't happy with," to a very important group within the health care system coming forward and making some very serious allegations to this committee. I think the seriousness of the response has to match the seriousness of the allegations and, in a sense, the scale of them, and I believe the ministry responded appropriately.

I believe that all I've tried to say is that writing everything down is not necessarily something we do in every instance. We don't document every meeting or every phone call or every action we take, and I don't think, frankly, anybody else does either. So whether I wrote notes of my discussion with Alan Hudson or not, I can't tell

you—I'll go back and look and we will provide everything we possibly can—but I'm just trying to indicate that we try and manage many of these situations in a very direct, hands-on way, rather than in a very formal, written way. That's the only point I was trying to make earlier.

The Chair: Thank you. Time has pretty well expired for this morning. We want to thank you and your staff for coming. We'll await the information. Thank you for your cooperation.

Before we adjourn, the clerk has one small announcement and a bit of information for the committee members.

Clerk pro tem (Mr Douglas Arnott): The regular clerk of the committee has indicated that the union representative invited to appear next week will be able to attend. That person has indicated he would like to be accompanied by his legal counsel. It's really up to the committee to decide what role it would perceive for the legal counsel attending. I don't know what role the witness himself would have in mind when being accompanied by counsel. This may be an issue you'd want to address.

The Chair: Mr Callahan, your advice on this matter?

Mr Robert V. Callahan (Brampton South): I think it's appropriate that if a person wants counsel, certainly I have no difficulty with that. If you're talking about the role of counsel, the role of counsel, I suppose, would be to advise the witness as to whether he should answer a question or not, what the implications are, and I think that's appropriate. I think that's a fair way to deal with it.

The Chair: I was going to say something, but I won't.

Mr Callahan: Go ahead, go ahead.

The Chair: Mr Tilson.

Mr Owens: Are you looking for a job?

The Chair: No, I wasn't going to say that.

Mr Tilson: I have no comment.

The Chair: Any other lawyers on the committee who wish to make a comment?

Mr Owens: Who would be or would like to be. Anyway, I just want to associate myself with Mr Callahan's remarks. I would say we would agree that there is no difficulty.

The Chair: I, for one, do not see and would not hope that the legal counsel would take an active participation in answering the questions.

Mr Owens: I think that, Chair, would depend on the tone and tenor of questions that were asked of the witness.

The Chair: It may. Any other announcements from the clerk's office?

Clerk pro tem: In addition, the clerk has asked me to remind members who have not sent in their registration forms or information on attendance at the Canadian Comprehensive Audit Foundation conference that they should do so as soon as possible.

The Chair: What's the date of that conference?

Clerk pro tem: The dates are November 22 to 24.

The Chair: Where's it being held at?

Clerk pro tem: The information has been sent out to you. I'm not sure of the location.

The Chair: I think it's Metro, but I'm not sure.

Mr O'Connor: What day of the week is that?

The Chair: I'm not sure. Could I just ask the committee members to review their packages and let the clerk know if there is any interest in attending this conference.

I thank all members for their cooperation. We'll see you next Thursday morning. The committee stands adjourned.

The committee adjourned at 1203.



CONTENTS

Thursday 29 October 1992

Review of special audit on Toronto General Division of the Toronto Hospital P-119
Ministry of Health

Michael Decter, deputy minister

Pat McGee, acting assistant deputy minister

STANDING COMMITTEE ON PUBLIC ACCOUNTS

***Chair / Président:** Mancini, Remo (Essex South/-Sud L)

***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)

***Callahan, Robert V.** (Brampton South/-Sud L)

Cousens, W. Donald (Markham PC)

***Duignan, Noel** (Halton North/-Nord ND)

***Frankford, Robert** (Scarborough East/-Est ND)

Haeck, Christel (St Catharines-Brock ND)

***Hayes, Pat** (Essex-Kent ND)

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)

***O'Connor, Larry** (Durham-York ND)

Sorbara, Gregory S. (York Centre L)

***Tilson, David** (Dufferin-Peel PC)

Substitutions / Membres remplaçants:

***Owens, Stephen** (Scarborough Centre ND) for Ms Haeck

***Wessenger, Paul** (Simcoe Centre ND)

***In attendance / présents**

Clerk pro tem / Greffier par intérim: Arnott, Douglas

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service

1230
C-21
292



P-13

P-13

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Legislative Assembly of Ontario

Second session, 35th Parliament

Official Report of Debates (Hansard)

Thursday 5 November 1992

Standing committee on public accounts

Review of special audit
on Toronto General Division
of the Toronto Hospital

Assemblée législative de l'Ontario

Deuxième session, 35^e législature

Journal des débats (Hansard)

Jeudi 5 novembre 1992

Comité permanent des comptes publics

Vérification particulière
sur la division Toronto General
de l'Hôpital de Toronto



Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

Index inquiries

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Renseignements sur l'index

Il existe un index cumulatif des numéros précédents. Les renseignements qu'il contient sont à votre disposition par téléphone auprès des employés de l'index du Journal des débats au 416-325-7410 ou 325-7411.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 5 November 1992

The committee met at 1007 in room 151.

REVIEW OF SPECIAL AUDIT ON TORONTO GENERAL DIVISION OF THE TORONTO HOSPITAL

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. I'd like first of all to thank the subcommittee for meeting with me early this morning prior to the sitting of the full committee. We had a number of things on our agenda this morning that we were able to accomplish. We will be reporting to the full committee, hopefully before the end of this morning's sitting.

The committee had requested the clerk to contact CUPE Local 2001 to return to the committee to discuss its original presentation, which was made some weeks ago, and to answer some questions that committee members may have. I'd like to thank CUPE Local 2001 for returning today. We appreciate your attendance. We have with us today Al Wahid, Roman Schyngera, Ron Morrow and Steve Eadie.

The committee has decided that all witnesses pertaining to this matter concerning the original allegations and all responses and all witnesses pertaining to this situation in regard to the Toronto General Hospital audit shall from now on be sworn in, so I'm going to ask the clerk—

Mr Stephen Owens (Scarborough Centre): Excuse me, Chair. On a point of order: When was that decision made?

The Chair: It was decided by all members of the subcommittee this morning.

Mr Owens: Is that report not a report that's voted on? I made my objections to that known last week when we discussed that. I believe it is a practice of the subcommittee to report to the committee for a vote on the report.

The Chair: It's not quite a practice, but if there's a problem with this, can someone make the motion that all witnesses henceforth be sworn?

Mr Robert V. Callahan (Brampton South): Is the government moving that we not swear them? Is that what you're moving?

The Chair: You'd have to ask the member directly.

Mr Callahan: Could I inquire, are you making the motion that they not be sworn?

Mr Owens: I'm certainly not in favour of having any witnesses sworn at this committee, whether it's this group or any other group. We have no reason to believe that this group or any other group would make statements that were knowingly false. I think we should accept their testimony at face value and move forward.

Mr Callahan: I'm still not clear, Mr Chairman. I need clarification. Is the member making a motion that we not have these witnesses sworn? We can vote on that.

Mr Owens: I think if what the Chair is asking us to do is to accept the subcommittee report, then I'm going to suggest that we not accept the subcommittee report.

The Chair: Can somebody make a motion that we accept the subcommittee report that all witnesses from henceforth be sworn in?

Mr Callahan: I move we accept the subcommittee report.

The Chair: Moved by Mr Callahan, seconded by Mr Cousens. We don't need a seconder. All in favour of Mr Callahan's motion?

Mr Callahan: Could I have a recorded vote, please?

The Chair: Mr Callahan has requested a recorded vote. Any discussion on the motion? Mr Cousens.

Mr W. Donald Cousens (Markham): Really two questions: Mr Tilson, with his legal background, wonders whether or not there is a precedent where you have a vote on this? Is it not something that could easily be decided by the Chair, rather than having a vote? Maybe the clerk could just confirm that there is a—

The Chair: The clerk has confirmed my original thoughts on this. Usually, past practice has been that the Chair in fact could decide. However, in all of the situations I personally have been involved in before there haven't been objections from the committee. Because there have been objections from certain committee members and because it was necessary to place a motion, that took the authority that I had and diminished it substantially. Now it's going to be decided by the committee. So you're right in one respect, Mr Cousens.

Mr Cousens: My second question, depending on what happens with this vote, I would then ask, but I'll wait until the vote is taken. Once that's done I would be inclined to ask those who are here whether or not they have any objection to being sworn in. But I don't think that's really the issue. The issue is what the committee wants to do.

The Chair: That's correct.

Mr Cousens: When that's done, maybe those who are here will offer to be sworn.

The Chair: Just to give you the information that you requested earlier on, in all the committees that I've sat on where we've asked witnesses to be sworn in, I can never recall any single objection to that being done, but that's for the committee to—

Mr Cousens: I'll leave it. Let's see what happens with the vote. It might well carry.

The Chair: Mr Callahan, do you have anything else to say on your motion?

Mr Callahan: I just moved the motion.

The Chair: You asked for a recorded vote. We have Mr O'Connor and then Mr Tilson.

Mr Larry O'Connor (Durham-York): In the subcommittee I did express some concern around this and whether we're going to be setting precedents that are going to make the—

The Chair: There are no precedents being set.

Mr O'Connor: —people feel a little bit less comfortable in coming to the committee if we formalize it too much. I refer to that so that all the committee members realize that I did raise that in subcommittee.

The Chair: We're not asking these witnesses to do anything that any future witness is not going to be asked to do. Any further discussion? Mr Tilson.

Mr David Tilson (Dufferin-Peel): I pass.

The Chair: Mr Callahan has asked for a recorded vote. I'm sorry; Mr Johnson.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): Again, I'm not familiar with this practice. I've never seen it happen before in a committee. Is this a usual occurrence? Does this happen often and why would this be required to happen?

The Chair: It's an authority that the committee has. In past practice there have been committees, particularly the Legislative Assembly committee, when Michael Breaugh was Chairman, where all witnesses were sworn in on any subject that came before the committee. There have been other committees that have used this practice and there have been committees that have not used the practice. I think it's been more or less up to the committee, but the committee does have certainly the authority to do so and it's done for reasons that the committee wishes to do so.

Mr Johnson: In this case or in any other case, what would the criteria be? Why would the committee deem it to be necessary?

The Chair: I can't speculate on why any committee would deem something to be necessary. I'm just telling you what the past practice has been.

Mr Pat Hayes (Essex-Kent): I just have really one concern about this particular motion. It's hard not to think that we're sitting in this committee and trying to make an example of one particular group of people here, and for that reason I don't think I could really support this particular motion.

The Chair: I'm sorry, could you say that again?

Mr Hayes: The motion is made because of feelings that maybe some of the accusations were not totally true, and now we come in here and say, "Well, let's make these people swear under oath." I just can't help but think that this committee or some members of the committee are saying, "We'll make an example," or, "We'll set a certain group of people up." I have concerns about those kinds of things happening. That's what I'm saying.

The Chair: I'm sorry you weren't at the subcommittee, because if you were—maybe Mr O'Connor can report to you all of the comments made during the subcommittee meeting—you would agree that those comments are maybe not—

Mr Hayes: Mr Chair, are you speaking in favour of the motion? Is that what you're doing now, or are you being the Chair?

The Chair: I'm speaking as Chair, because you made a comment that insinuated that because we have a local union in front of us—let's be very clear on what we're insinuating. You're insinuating that because we have Local 2001 in front of us, certain motions are being made because it's a trade union. That's not true.

Mr Hayes: Excuse me, Mr Chair.

The Chair: I've got the floor right now. You're out of order, Mr Hayes.

Mr Hayes: On a point of order, Mr Chair.

The Chair: There's nothing out of order. I would ask that all committee members be very careful about what they insinuate because I, as the Chair, prepared the agenda for this morning, and the comments made earlier on by Mr Hayes insinuate very clearly the point that a certain group of people who are before us today are being treated in a different fashion from anyone else.

I'm sorry all of you were not at the subcommittee this morning, because that is not true. I hope that you speak with Mr O'Connor and I hope that you speak with Mr Callahan and I hope that you speak with Mr Cousens to get a clear reflection of what happened between 9:30 and 10 am this morning.

Mr Owens: I was just going to say that in terms of having the witnesses sworn in, that this group, whether it's a union local or whoever it is, has appeared here of its own volition and it did not have to be compelled to be here.

The Chair: That's correct.

Mr Owens: My problem with that is the requirement with respect to swearing in. It is a coercive measure that I see as unnecessary. My concern is, what is the follow-up? Is there going to be some kind of determination as to whether the testimony that has been given is in fact true? I don't understand why it would be necessary. I'm certainly not going to support something that gives anyone any kind of open-ended authority to go after any particular deputant, whether it's this particular group or any other group.

The Chair: I'm trying to get us through these procedural matters as quickly as possible. It's proved to be difficult again. We only have the two hours. We've requested these people to come in to see us. We're now almost at 10:20 and we haven't even given them the courtesy of making a statement yet or answering any questions. I try to get procedural matters through this committee as quickly as possible. I give you historical precedents and all kinds of other things, but it doesn't seem to do any good. Mr Callahan, and then that's it. We're going to have the vote. We have to hear from our witnesses.

Mr Callahan: Mr Chair, we had extensive discussions about the reasons for the oath on a former occasion,

and I believe all the members who are here now were here at that time. I wouldn't care who was before us. It has absolutely nothing to do with the fact that it's a union. What we have is allegations of fact, which may very well be explained quite simply to us, that just don't gel with the auditor's report.

There is provision for taking evidence under oath. There is nothing significant about it. I would expect that these witnesses, as you say, having come here voluntarily, are going to give us that explanation in the same way, whether it be under oath or not under oath. But I think the committee itself has a responsibility, in light of all the circumstances, to resort to an oath, and that's the reason for it. It's not the people who are before us. I wouldn't care who was before us. I think if these circumstances existed, if it were Conrad Black himself, I would insist on an oath.

Mr Owens: That's not the point.

The Chair: Order, please. We're not having a debate. As I said before, I wonder if having subcommittee meetings for this committee is a proper use of our time.

1020

This is a recorded vote. All in favour of Mr Callahan's motion, please raise your hands.

Ayes

Callahan, Cousens, Tilson.

The Chair: All opposed?

Nays

Frankford, Hayes, Johnson, O'Connor, Owens.

The Chair: The report of the subcommittee in regard to having witnesses swear under oath has been defeated. I apologize to CUPE Local 2001 for using 20 minutes of your time to debate a matter that I perceived, only a few moments ago, to have been already decided.

Mr Cousens: Mr Chairman? Would our guests be prepared to be sworn in on this?

Mr Roman Schyngera: Yes.

Mr Callahan: We could have solved a lot of problems by asking.

The Chair: I thank Mr Schyngera for his full cooperation, and I'm not surprised by his answer. But I cannot open this up again for another 20 minutes to have—

Mr Cousens: If we have unanimous consent—

The Chair: No, I'm not going to do that. Mr Schyngera, on behalf of his organization, has clearly made a point which he wished to make. It's on the record.

CUPE LOCAL 2001

The Chair: We thank you for coming, sir. We thank your whole delegation for coming. We appreciated your first visit. At least I, as Chair, and from what I can tell, not every member on the committee has made up his mind about this matter; I don't believe they have closed minds on the matter. We've had a number of witnesses come before us since your last testimony, and we're going to have more witnesses after your testimony this morning.

Mr Schyngera, if you could formally introduce your delegation to us, then I'm going to turn the committee over to the members for questions and answers. I'll also give you the courtesy of making an opening statement if you wish, sir.

Mr Schyngera: Thank you for having me attend this meeting this morning. With me are Ron Morrow, the national staff representative for our CUPE local; Steve Eadie, the secretary-treasurer of the Ontario Council of Hospital Unions, a body of CUPE that represents CUPE in bargaining in the hospital sector; and Al Wahid, the president of CUPE Local 1744 at the Western site of the Toronto Hospital Corp.

The Chair: Mr Schyngera, do you have an opening statement to make?

Mr Schyngera: Not at this point, thank you.

The Chair: We're going to run a list. We're going to start with the official opposition, the third party and then the government members, and then we can reverse the order after.

Mr Callahan: Thank you very much for coming. We appreciate it. As was pointed out, although we have powers of subpoena, we have not exercised those, and you people have voluntarily come here. I appreciate that.

I think you've gathered from my comment during the discussion on the vote that the concern we have, and I'm going to go into this, is that some of the allegations that were made, at least from the independent auditor's standpoint, have proven to be incorrect, and some of them have proven to be totally incorrect.

First of all, how was this information on many of these allegations gathered? Was it just hearsay? Was it something that someone heard and felt should be reported? What's the mechanism for putting forward these allegations? How does it work? Who tells whom, and how does it get to the stage where it's submitted in the way it was?

Mr Schyngera: To my best knowledge, the facts in the brief as I presented it, supporting the recommendations we were trying to bring forward to this committee, were, as I indicated in the brief, a historical perspective of the Toronto Hospital Corp from the time of the merger up to the present. These rumours that I put in here and others—these specifically, particularly Begley and the computer system—are a common theme throughout merger up to the present. There were discussions. No more than a week would go by without somebody, either at the front-line worker level or middle to senior management, talking about these problems, if you want to characterize it that way. The figures specifically came from senior administration, whether it be bargaining tables or labour-management forums or what have you.

The comments have been going for several years, as I say, some of these discussions in the Toronto Hospital. Press releases have been out, not by this local, either before these allegations were put or after these allegations were put. We've had ample opportunity that we have not exercised at this local; we've never done that. We have simply taken the facts as we understood them from senior administration. When press releases were issued on this

subject—as an example, when the Provincial Auditor's report came out—the president and others of the hospital didn't seem to refute those.

What I'm saying here as best I can, I guess, is that the figures that were put out, whether it be \$80 million or \$85 million, what have you, on the computer system, as an example, those ballpark figures were simply figures that were never refuted and were reported in the press. I believe the press quoted the Provincial Auditor; Thomas Walkom and all the dailies were quoting that figure.

As you see in the brief, it's an appendix that I put on. I assume that that's a fact, I guess. We have brought these concerns to the ministry over the years, from 1985 up to the present, on three occasions that I've been present and in three different administrations, and we've never been responded back to. It was sort of a court of last resort to bring some of these concerns forward, to put them to bed, because it's been a poor morale in the hospital over the past few years, and continues. There's been some improvement this year because of attempts at better relations and that type of thing, but we have a long way to go. As I say, the atmosphere is not good. Layoffs were occurring, reductions; there's been a significant change in our hospital.

Many employees have asked this union, because we're the only union that could get to this committee—I mean, we didn't know where to go and others were simply unprepared; it was short notice and that type of thing. But many people wanted these concerns, and as I said in my previous presentation to you, I'm just a spokesperson on behalf of not only employees but many employees, not just this union, who wanted these concerns put to bed. I'm pleased with the report, frankly. If it had been done a long time ago, we wouldn't be here and we wouldn't have made these allegations. We assumed them to be correct and factual.

Mr Callahan: All right. I'm not sure whether you've told me who prepared the report. You didn't prepare it?

Mr Schyngera: No, I didn't.

Mr Callahan: Who would have prepared it?

Mr Schyngera: We had a legal firm, Cavalluzzo, Hayes and Shilton, that we retained to prepare this.

Mr Callahan: And they would have prepared it on the basis of information that was given to them by whom?

Mr Schyngera: By myself, and prepared by not just myself but by local members, other employees of the hospital. As I say, it's brown-paper-bag time, because we've never had access to any information. When we've asked these questions, numerous employees and numerous unions and myself, we never got a response, so it's brown paper bags of documents and that type of thing. I've a couple of shoe boxes full that I gave the auditor, the best I had at that point, and I tried to get other information. Unfortunately that wasn't forthcoming, it seemed, from others.

Mr Callahan: Let's leave aside the computer aspect till later. Let's talk about things such as the revolving door that was alleged in the report. I want to be perfectly clear with something. There seemed to be some suggestion—and I'm not trying to be pejorative to Mr Hayes—that this is being done simply because you're a union. That's not the case at all. What we have here in spades—

Mr Hayes: On a point of order, Mr Chair: I don't think I made any statements that this is being done because this is a union, and I think it had better be clear. Mr Callahan was saying that I was insinuating certain things and that was I was saying was false. What Mr Callahan was saying is false, as far as I'm concerned.

The Acting Chair (Mr Larry O'Connor): That's not a point of order.

Mr Hayes: The point of order is that he's insinuating that I said this is a union and that's why we're bringing up the issue, and that is false.

The Acting Chair: It's a point of clarification. I'm sure if we take a look at Hansard, we can see what was said. I'll give Mr Callahan the floor.

1030

Mr Callahan: I think you can understand, as we go through these allegations, that this must have had, or one would expect it had, a significant impact on the Toronto Hospital and perhaps its reputation in the community in terms of being able to raise funds and so on. I'm just laying out the groundwork as to why these questions are being asked.

Having said that, I'd like to go to the revolving door that, it was alleged, was obtained free from a Nevada casino. Can you tell us what brown bag that came in or who gave that advice or where they got that information from?

Mr Schyngera: If I may respond first to your first assertion that there may have been damage through these allegations made at this committee, I categorically deny that. To my knowledge, I can't see any press—unless you can show me; I haven't seen it—that has gone out from this committee other than, I suppose, your Hansard. I know press has been sent to me regularly. I don't know by whom. I've refused to answer any sort of questions because I want to be—

Mr Callahan: I'm not trying to get you on the hook—

Mr Schyngera: Well, you did suggest the reputation, and I take that very personally and seriously, because I have tried to uphold the integrity of the corporation. I'm only a concerned citizen, a union official, as well as an employee. And I do work: I'm not a full-time officer; I work more on my own time to do this type of work. I suggest to you, sir, that I have never to this date gone out publicly and this local has never gone publicly to make these allegations. We thought this was a body of a government that could go and put these allegations to rest. That was my only concern and this local's concern, to see the better administration of hospitals. That's what we were after here and what this local was after, nothing more and nothing less.

Mr Callahan: Let me cure any concern you may have about that. I'm not suggesting that in terms of you having caused damage. I'm just saying you have to look at the background against why we're trying to reinstate. We have nothing to do with whether there were any problems in that regard. We're trying—

Mr Schyngera: I'm saying to you, sir, that there was no—

Mr Callahan: Can I just have a second? We're just trying to reinstate the picture as it perhaps should be in light of what the auditor's report was. Let's go back. Let's leave that alone, because that is not the purpose of you being here. We're not trying to suggest that at all. We're just trying to more or less reinstate whatever happened to the Toronto Hospital as a result of this.

I'd like to know, how did you get the information about the Nevada revolving door? Where did that come from?

Mr Schyngera: Only one more comment, if I may. Again, subsequent to my presentation to you, there was no press; and prior, as I say. There has been ample press, I know, from merger up, but it hasn't been from this local, myself or anybody else in our organization, as far as I understand, other than general comments from others that have been made through the institution, including administration over the years, and press coverage that has been digging dirt. I want to make that very clear.

That is more or less the basis of a lot of the allegations in here. We have press clippings going back to 1985, and it's been done by either investigative journalism or other sources. I don't know where those sources come from, but they have been, and they've never been put to rest. Of course, stories like this take on a life of their own and that may be some of the cause célèbre of these allegations. As I say, administration has never put them to rest. We assume, when things go public and auditors and others, press people and public officials, quote these types of things, that they would be accurate. That's all I would like to say.

How did I get the information for the revolving door? Again, from senior administration, across the table in bargaining and other forums. Again, these things have never been put to bed. Our tradesmen who work with these senior officials have gotten that information. Again, it is a common theme, how this was purchased and that type of thing. I suspect the way the story should have been, if they had been accurate, is that it may have been intended for a casino but they purchased it, as the auditor reports. I'm quite satisfied with that now and I understand it, but the story as we presented it to you is exactly the way the story seems to have been presented throughout the institution up to the time of this audit.

Mr Callahan: Okay. So you say it was gotten from a senior person in the hospital. Is that what you're saying?

Mr Schyngera: Not just one person. I'm saying it's administration on several levels but one particular person we would trust or believe would have that type of insight into that, because he would have some involvement or understanding of that type of installation and seemed to have the access to the type of people who would have made some decisions in purchasing of that type of door.

Mr Callahan: Okay. In fairness, I should have started off by asking whether you've had an opportunity to read the auditor's comments in relation to the union's—

Mr Schyngera: I got that, by the way, just a few days ago. I didn't get a copy from the auditor, which I was promised.

Mr Callahan: Have you had a chance to read it then?

Mr Schyngera: Yes, I did.

Mr Callahan: Okay. I don't want to go through this if you haven't. Let's just jump over to the claim that was made that the hospital spent \$50,000 to \$60,000 to recarpet one wing of a floor while claiming a deficit last year. This is page 23, if anybody's following along. The finding of the auditor was that, "Most of this floor was tiled, not carpeted." Where did you get that information from?

Mr Schyngera: That allegation—if I had to do it again, I probably would have checked it a little closer, but in fact it did happen. It's on the wrong floor, as I told the auditor. What he briefed me on what may be contained in the report before he issued it was that he had gone to the specific area I had indicated in the brief and found the tiles, quite correct. I suggested to him the people who installed it, workers in our service unit who would put that type of carpeting in when it was purchased, told me—or I got the impression it was in that area.

However, they were on vacation, these two chaps, and when they returned—and this was a few weeks ago—they indicated it was 12 NU, and there is a rotunda area. It's not 12 Eaton; it's in 12 NU. There's some visitor rotunda area that was recarpeted.

Now, whether the figure is accurate, I suspect, based on what I see here—it probably is a lot lower, I would imagine. There is, and I viewed it, a new carpet. They were concerned simply because layoffs, as you can appreciate, were occurring and we're talking about tight deficits now and restraints and they were concerned, of course. They saw a new carpet being removed. I found out from our trades people that that carpet in fact may have been put from a foundation or something. I'm not sure.

Mr Callahan: So you really didn't have a figure. You put the figure on it, I gather.

Mr Schyngera: No, I didn't. I got it from the individuals who installed it and, again, from when our trades got checked, some people who may have some knowledge of purchasing felt that that may be a ballpark figure.

Mr Callahan: Are you saying there was a carpet—

Mr Schyngera: There is a carpet installed. It's just in the wrong area. Unfortunately, I couldn't direct the auditors to the right place, is what I'm saying.

Mr Callahan: So you're saying there was a carpet installed for \$50,000 to \$60,000—

Mr Schyngera: I'm not sure if it's that figure now, based on what I'm seeing here.

Mr Callahan: —in a wing of a floor in the hospital.

Mr Schyngera: That's the figure I was given and, unfortunately, it was in the brief in the wrong area.

Mr Callahan: You're also aware, having read the brief, that the auditor said, "We also reviewed expenditure records for the past four years and found no examples where \$50,000 to \$60,000 was spent to recarpet a wing of a floor in the hospital." So even if you directed them to other wings, their finding is that that's not the case.

Mr Schyngera: I would accept that, as I say, based on what I'm seeing here, again, but these are common rumours that have been put out, and possibly by our own workers. I'm not sure.

Mr Callahan: So you never personally saw this carpeting. It was simply rumours.

Mr Schyngera: Unfortunately, in hindsight, I should have probably checked that a little closer, but it seemed to be a figure that was accurate because, again, I trusted the people who gave me those.

Mr Callahan: All right. Now, there's also a suggestion that the staff estimated that anywhere from \$90,000 to \$130,000 was spent to put an island—ie, rock garden—in front of the revolving door in the Eaton building. Where did you get that information from?

Mr Schyngera: That's probably one of the most common—almost every day we'd joke and talk about it, every employee from administration to—it's a common theme, because it was an island previously where people sat and enjoyed summer lunches, traversed it and whatever. I know it was characterized by the administration as being a safety hazard. Well, I could probably put it the other way: Many employees view it, including myself, as a safety hazard now, because you can't see cars on the other side of the island and when it gets slippery in the winter it may cause fender-benders, whereas before you could see clearly.

So I'm just saying it's a common discussion since it's been put there, and that figure has never been refuted again. That's a figure that's—it's sort of like lunch talk: It's constant, on everybody's mind in discussion.

1040

Mr Callahan: Would it be fair to say that you were sort of looking around the hospital in terms of what might be considered to be inappropriate expenditure of funds that might be saved and might avoid the necessity of layoffs of employees as a result of the merger of the two hospitals? Is that a fair statement?

Mr Schyngera: That's one aspect, yes. That had a great deal of concern on my mind as well as others'; yes, almost everyone.

The Chair: You have four minutes left.

Mr Callahan: If I'm in your position, I suppose that's a reasonable concern. If I'm in your position and I see that there are going to be employees who are going to be laid off or lose their jobs because of so-called cutbacks, I want to go around and ensure that moneys have not been spent frivolously. Is that a fair statement?

Mr Schyngera: I didn't go and seek, as I say, the information, but it seemed to be an apparent possible use of hospital funds that didn't need to be used if we were going into a financial crunch. However, as the auditor indicates, it was a private foundation and I found out through that, so I suggest maybe it's not general funds. I didn't know that and, as I say, that was never put to bed, this conversation—so we assumed, as I say, from senior administration that fuelled this type of conversation on the figure, at least.

Mr Callahan: I haven't got time to go into another allegation, but I want to in a general fashion say that I gather a lot of the material that was provided to Cavalluzzo

et al, barristers and solicitors, was based to a large degree on what people had told you, without verification.

Mr Schyngera: I can only say that I'm not an expert. I've never written a brief. I'm not a university grad or anything else and I trust people who put documentation. I'd never presented a brief before. I was, as a concerned citizen and, as I say, a union official, coming forward, and when I brought the documentation that we had from brown paper bags, it was a lot of material. The auditors obviously found nothing unwarranted in it, but we felt that it had some substance to it, and I brought that material to—

Mr Callahan: Did your solicitors, when they were preparing the brief, ask to see some evidence of things such as the carpeting and the other things?

Mr Schyngera: All I can say is that I presented the material and they crafted the brief presented here. It was short notice, as you can appreciate. I tried to be here in February, and maybe we wouldn't be in this position at this point. I know your committee was very busy. I don't know if I would have been able to even be present. At that point we were extremely busy. I know that I picked up this brief here the night before to come to your committee. I had only an opportunity to read through it the night before I got here in a really substantive fashion. I had some conversation on two occasions on a couple of drafts of this, but all I can say is that the brief is as you see it.

Mr Callahan: Just finally, did you tell the committee when you presented the brief that this was based on things you'd heard around the hospital, that you didn't have any facts to back up—

Mr Schyngera: I think if you look at my May 7, I was very clear. I tried to be. I was extremely nervous, as I am today, but I constantly—I examined my comments again back at that date, and I used the word and I tried to convey the impression very strongly that it was "anecdotal" evidence. I thought that's what I was conveying. My concern was not only to have those allegations either put to bed or what have you; my concern, if you read my brief, was simply to try to get accountability in the system so that we could have an open, accountable system. That was the intent of the brief; nothing more, nothing less.

The allegations were simply, as you said, concern in an official—it was concern for jobs, it was concern for an open process and a better health care institution. I live in the area, I've worked in the hospital a considerable time and I consider that a great deal of investment in the hospital.

The Chair: Mr Tilson, you have 20 minutes.

Mr Tilson: Mr Schyngera, you're the president of CUPE Local 2001?

Mr Schyngera: That's correct, sir.

Mr Tilson: How long have you been president?

Mr Schyngera: I was installed in February 1983, acclaimed when the previous president left. I was president throughout till 1988 and for two years I was absent from the position. I again was reinstated back in October 1990.

Mr Tilson: How many members currently are with CUPE Local 2001?

Mr Schyngera: My best estimate right now, because it keeps decreasing because of attritions, and we're getting monthly figures that vary, is just above 900, with part- and full-time combined.

Mr Tilson: You've indicated that there has been some dissatisfaction between your union and the Toronto Hospital?

Mr Schyngera: I think I can honestly say that the dissatisfaction is simply that we perceive labour relations to have been very poor in terms of getting any real results. One of the main concerns we've always had is the decentralization of authority that allows our collective agreement to be interpreted a multitude of ways. The corporation, by the way, at this point has taken some concern to that and tried to rectify that. Some of our problems don't stem from the labour relations directly, because we don't have that much difference in views when we're across the table, but to implement settlements has been a hard, hard process to get done.

Mr Tilson: How long has this difficulty been going on?

Mr Schyngera: Since I've been with the hospital.

Mr Tilson: Oh, prior to 1983?

Mr Schyngera: I can only suggest to you that when I walked in it was difficult, but it got worse. The tension is worse, and it's probably because of the amount of merger activity. As I say, the activity has been mind-boggling in terms of that. It's hard to describe, because I've worked in various other hospitals—

Mr Tilson: But it's gone on for at least 10 years.

Mr Schyngera: I would say it's been of long historical standing, yes.

Mr Tilson: With regard to this brief that you presented to this committee, the public accounts committee, I understand that you took similar concerns to the Ministry of Health.

Mr Schyngera: Yes, I did.

Mr Tilson: When was that done?

Mr Schyngera: Let me rephrase that. Not only myself but several—not quite all, but almost all—bargaining units from Western hospital presented our concerns to the Ministry of Health.

Mr Tilson: When was that done?

Mr Schyngera: I can't give you a specific date right now—I don't have it with me—but it was some time in early January, I believe, or mid-January of this year.

Mr Tilson: Was that a written presentation?

Mr Schyngera: No. We were trying to get a meeting with Frances Lankin. The unions had gotten together at that point because layoffs were very poorly handled. All the unions felt themselves to be badly served in the layoffs that were processed, the way they were undertaken. We felt it to be very brutal and so we were trying to raise those concerns and attendant costs with the ministry. We got a meeting in, as I say, January.

Mr Tilson: That meeting was with Ms Lankin?

Mr Schyngera: No, Ms Lankin didn't attend; it was with Michael Decter and other aides of his at that table.

Mr Tilson: Was there just the one meeting or were there other meetings?

Mr Schyngera: That was the only meeting I attended. I'm not sure if there were other meetings with others.

Mr Tilson: What were the concerns that you expressed to Mr Decter?

Mr Schyngera: Most, if not all, of the concerns I put here were expressed there, yes. As I say, the other union officials, to be clear, either supported or extended criticisms beyond this. I was hoping that when the audit came forward their concerns, which were beyond my concerns and a great deal more, would also be brought forward.

Mr Tilson: So most, if not all, of your concerns that were expressed in this report of May 7 that you presented to this committee were made to Mr Decter in January?

Mr Schyngera: Yes.

Mr Tilson: What did he do?

Mr Schyngera: I got no response back from the ministry. It was a frustrating experience, because we went, a few years back, to the auditor's department when we knew the auditor was doing a general audit, which they do of our hospital, and tried to raise the same concerns at that time—and not just us, but other union officials also at that time.

Mr Tilson: Who all was present with Mr Decter when your group, your delegation, appeared before Mr Decter?

Mr Schyngera: You mean on the ministry side?

Mr Tilson: Yes, on the ministry side.

Mr Schyngera: It was Michael Decter. I don't remember the names, but there was a Sue Colley and a few others present at that time.

Mr Tilson: Have you had any communication with Minister Lankin on any of these matters?

Mr Schyngera: No, never.

Mr Tilson: Have you written her at all?

Mr Schyngera: The other unions have, and we did send communications to her.

Mr Tilson: You sent communications to her.

Mr Schyngera: Not personally, but through our union we did.

Mr Tilson: What were those concerns?

Mr Schyngera: To have a meeting.

Mr Tilson: Simply to have a meeting?

Mr Schyngera: Yes, basically.

1050

Mr Tilson: Did you express any of the concerns in the report that you made to the committee in this communication with Ms Lankin?

Mr Schyngera: No, we were simply trying to get a meeting to raise those concerns.

Mr Tilson: And she was simply unable to see you?

Mr Schyngera: I assume that; I'm not sure why.

Mr Tilson: Was your meeting with Mr Decter a good meeting? Was it a lengthy meeting? An hour?

Mr Schyngera: It was a lengthy meeting, yes; a half-day meeting.

Mr Tilson: It was half a day?

Mr Schyngera: Yes.

Mr Tilson: Did Mr Decter give you any undertakings to look into these matters, these difficulties you were raising?

Mr Schyngera: I don't know. I know that he listened throughout the period. As I say, there were a lot of people in the room, so I was only one of many players who expressed many concerns to him. He only commented that the ministry was under some restraint and they were trying very hard and that type of comment.

Mr Tilson: Did Mr Decter indicate that he or Minister Lankin or anyone from the ministry would be communicating with the Toronto Hospital?

Mr Schyngera: Yes, there was some communication back in that meeting that said there are ongoing meetings with Dr Hudson on various matters and that type of thing.

Mr Tilson: These discussions that you had, this half-day meeting that you had with Mr Decter—

Mr Schyngera: I'm not sure it was exactly a half a day, but it was more than two hours.

Mr Tilson: Sure; more than two hours. At the meeting you had with Mr Decter, you essentially elaborated on what was in this report. It wasn't reduced to writing, but your concerns were put forward.

Mr Schyngera: Yes.

Mr Tilson: I'd like to refer to the Provincial Auditor's report. I must say that as a member of this committee, when you came to us, I listened to you, I listened to the report, to the most alarming allegations that you were making. This committee, in good faith, then instructed the Provincial Auditor to pursue these matters. You have read the report and Mr Callahan has gone over some of the items.

Some of the preliminary statements that were made by the Provincial Auditor: at the top of page 2, "The union representatives were unable to provide us with substantiating evidence for many of the concerns raised by the president of CUPE Local 2001," and under the section "Overall Assessment," it says, "We concluded that with the exception of operating problems with the new computer system, concerns were generally without substance or were overstated."

The Provincial Auditor spent, it's my understanding, approximately four days dealing specifically with the allegations you made. I could stand to be corrected, but I believe it was four days. There was staff, and I don't know how many staff working on it. This was not treated lightly by this committee.

The Chair: Mr Tilson, I don't think four days is correct, but I don't want to use any of the committee's time to verify that now. Maybe the auditor can mention it later on.

Mr Tilson: It was some period of time. I'm sure that it took a great deal—

Interjection: How long was it?

Mr Tilson: How long? Maybe we could just clarify this now.

The Chair: Do you want to clarify the situation quickly?

Mr Ken Leishman: The audit commenced—
Interjections.

The Chair: Order, please. We're trying to hear the answer.

Mr Leishman: —approximately June 1 and we've accumulated about 2,500 hours under this assignment.

Mr Tilson: Okay.

Mr Callahan: Is that \$1 an hour?

Mr Leishman: Considerably more than that, Mr Callahan.

Mr O'Connor: Any more than the witchhunt—

Mr Tilson: This wasn't a witchhunt at all. We were responsibly dealing with allegations that were made, sir, and this committee respected you in coming forward with these concerns. I would like you to respond to the general comments that were made by the Provincial Auditor's report on page 2. You just run through it paragraph after paragraph, the subject of costs.

Your concern was that the hospital had "spent \$85 million on the direct purchase of a patient care computer system that does not work." Auditor's response? "According to the union representatives, their estimate of...the system was based on conversations with staff. They were unable to provide us with any documentation to support this amount." Then they start mentioning figures of \$22.7 million.

The next concern: "Documents exist showing that operating money has been used to cover the cost of computers, which should be from capital funds." Response from the Provincial Auditor: "We found no documents or other evidence that operating funds were used to pay for the computer equipment."

The heading is "Does the System Work?" "The hospital has spent \$85 million on the direct purchase of a patient care computer system that does not work." Answer, the very first sentence, of the Provincial Auditor: "The system is in continuous use by hospital staff."

Page 6, "Benefits of an Integrated System": "Each department has developed its own internal system. Accordingly, the proposed benefits of an integrated computer system have disappeared." Answer by the Provincial Auditor: "It is not true that each department has developed its own internal system."

It goes on and on, on every darn statement, sir. There are a lot of serious allegations that you have made where the Provincial Auditor simply says that you're not correct, that you're not even close. In your own comments to Mr Callahan, the facts that you're basing these things on were made on rumours. You have caused this committee to spend a whole pile of taxpayers' money based on rumours. Is that what you're telling us?

Mr Schyngera: Sir, if I may respond now, on May 7, if you look at my comments to this committee, I never asked for an audit.

Mr Tilson: You asked for a royal commission.

Mr Schyngera: Yes. Excuse me.

Mr Tilson: A royal commission; that's even more.

Mr Schyngera: A royal commission—

Mr O'Connor: Different issues.

Mr Schyngera: Different issues. If you look at—

The Chair: Order, please.

Mr Schyngera: I think it is being taken out of context, sir.

The Chair: Order, please. I think it's appropriate when questions have been asked of the witness that the witness be given full courtesy to respond to the questions or statements. Thank you. Mr Schyngera, the floor is yours.

Mr Schyngera: Thank you.

Mr Owens: There's no need for the member to go after the witness.

The Chair: Order, please. Mr Schyngera has the floor. Mr Schyngera, please respond.

Mr Schyngera: If you look at my May 7 comments, this union never asked for an audit. I didn't even know that would be an option because I knew the auditors had been in just prior to Christmas, or in that period they were in. I was quite surprised that the committee would have done that. When I left this committee at that point I thought our recommendation of having—I said I was speaking on behalf of employees who feel intimidated. An open process where they could come forward with my recommendation from this local, so that they could give evidence or what have you without feeling tension or what have you, so that this committee, or I'm not sure what body I was thinking of, could hear people's concerns on the hospital. That was my intention here.

Simply put, the other side of it is that \$85 million and what have you and some of these statements—again, I refer you back to my appendices, but a whole host of articles appeared, including from when the Provincial Auditor issued his report. The daily press picked that up and were quoting that figure.

The hospital had the opportunity to respond and never did. There were many press releases prior to this over the years and they've never responded. In fact, Dr Hudson and others of the corporation were responding afterwards as if that were an accurate figure in the press. We have other press releases that seem to indicate that to me. I would assume that's a factual figure when you see that in the press, being a person, as I say, who reads the press and reads the Provincial Auditor's report and what have you. That's the basis on which we believed it to be a fact.

Mr Tilson: I have a copy of Hansard and I have a copy of the report and you'll recall that you said, "We have five basic recommendations we believe will be an effective way to bring the Toronto General and Western hospitals back on track, as well as being a good plan for the future of health in Ontario."

You have essentially said in this very detailed report, quite a thick report, prepared by your legal counsel, that

the Toronto Hospital is an absolute mess, that it's over-spending, that it's wasting a substantial amount of funds, and a whole slew of other irresponsible matters.

In fact, your very first recommendation that you ask for is—this is based on your personal observations of the conduct of the officials of Toronto Hospital—"We call on the provincial government to launch a royal commission into the future of health care in Ontario, one that will accept input from not only the employees involved in health care, but also the users of health care in the province and the communities that benefit from having health care facilities."

In response to that, we asked the Provincial Auditor to determine how serious your allegations were and we found them to be completely false. How dare you ask for a royal commission. Your comments?

1100

Mr Schyngera: First of all, they were not my personal observations. I refer you back again that on May 7, I said always that these are anecdotal, these are—

Mr Tilson: It's a fairy story.

Mr Schyngera: Well, that's your opinion, sir.

Mr Tilson: Mr Cousens has some questions.

The Chair: Mr Cousens, you have just under four minutes.

Mr Cousens: That's fine. I wanted to ask—

Mr Owens: On a point of order, Mr Chair.

The Chair: We have a point of order.

Mr Owens: The member for Dufferin-Peel is needlessly abusing the witnesses, and there is in no way any kind of incentive for anybody to appear before this committee after the treatment that this member has inflicted on these witnesses. I ask that he keep some level of decorum in his comments.

The Chair: That's not a point of order; it's an opinion. Mr Cousens, you have four minutes.

Mr Cousens: With the number of issues that came through on the report after the auditor had spent over 2,500 hours doing his analysis, which works out to be over a man-year, a person-year of time and effort into this, which means that our committee and the government has taken it very seriously—I think that's good. The process is such that if someone makes a comment, it is imperative that we, as legislators, pursue it to see that the truth is found.

What alarms me, if I were to take just one of the issues where there is a difference between what you said and what the auditor's findings were—I'll just take one and ask you why more information or backup wasn't found. For instance, you say patient files have been lost, and no evidence was found on that. How could you, your lawyers or your representatives make that statement when there is no verifiable proof of it?

It's just a very fundamental thing, because it's rather black and white. Could you explain how you would say that? Did you lose the information? In your defence and for the point you're trying to make, is there more information you could present to the auditor now to clarify on the basis of what you know and maybe he didn't find out?

Mr Schyngera: Let me respond again on the money spent, and I go back to that again, where would a citizen go when he has concerns that rumours, bad morale and working conditions appeared because of these rumours and continued and were never put to rest, and that when questions were raised by union officials, like our union and others, to administration, they were never refuted? Where do you go when you go to the Ministry of Health over the years and don't get any response to this? How is one to believe, as I say, or not believe, whatever, what a corporation is telling the public or us? I guess coming before this committee was a way. Again, I don't know what this committee was supposed to do or what have you. I just knew there was a body that could look into matters and nobody else seemed to be doing that. I'm not sure what venue you would have taken to do that, and you chose an audit, I guess. That wasn't the way I—

Mr Cousens: That's our only way. Do you have more information?

Mr Schyngera: I didn't know that was your only way. I thought an open inquiry would be a way. I guess that's what I was asking, that people could come forward without feeling recrimination.

Mr Cousens: Do you have more evidence that would show that patient files had been lost? Would you in any way challenge—

Mr Schyngera: I don't believe that—

Mr Cousens: Let me finish the question. Do you challenge the auditor's findings?

Mr Schyngera: No, I can't. I believe he did a thorough job, based on what he had before him. If we had had an open inquiry, people might have come forward, but they're not going to come forward—when the auditor said that in his general experience in hospitals or other institutions they may audit, that people would come forward and know they're there, I can assure you that most people didn't know they were there, other than those few people they'd talked to. It's a large corporation. You go Monday to Friday, it looks like a mall, and people don't know—they're into their own business and world.

Mr Cousens: Okay. Can I ask another question? What facts would you rely on to make the statement that patient files have been lost?

Mr Schyngera: Again, I can only say that others in other bargaining units and others in meetings I attended made those comments numerous times on a repetitive basis. I won't repeat what I said on May 7, but they have made those and I can only stand behind that; that's all I can say.

Mr Cousens: Can I ask you one more question? Is there anything you would do differently if you were to have anecdotal information dealing with accusations or allegations about the hospital than what you've done this time?

Mr Schyngera: Absolutely, sir. I've learned a great deal. This has been quite a learning experience for me.

Mr Cousens: What would you do differently?

Mr Schyngera: What I would do differently, obviously, is that I would make sure, or get in writing, that the

people who make statements would stand behind them; make sure they would stand behind them. Unfortunately, I guess I'm a naïve person and trusted that people would stand behind their comments. I guess they haven't, to my regret.

Mr Cousens: I thank you. That becomes part of the hard process we've gone through, what you've just said. Maybe through that kind of thing, we can build better relationships as we grow and learn. I think you've just made a very strong, courageous type of statement and I thank you for it, I really do. I think it's a tough process you've gone through.

The Chair: Thank you, Mr Cousens. Twenty minutes, starting with Mr Owens.

Mr Owens: Some questions have been asked with respect to the context which the allegations came out of. You said that you had approached hospital management on numerous occasions with respect to these allegations, is that right?

Mr Schyngera: Yes, these concerns were brought forward because of either, let's say, arguments in a grievance or bargaining process, or attempted board meetings that we were excluded from, that type of thing, when we were lobbying because of one concern or another.

Mr Owens: You mentioned layoffs being badly handled. Can you briefly describe the process that took place at that time?

Mr Schyngera: As I indicated, there has been a long-standing labour relations problem. We've had what you'd call mini-layoffs in the sense of redundancies; there haven't been direct, people out the door type of layoffs since I've been there. There was a large amount apparently before I came to the hospital in October 1980, and there were two sets in the 1970s, but I wasn't part of that. I know that many of the members of my local and others in the hospital were very bitter at that time. We had redundancies. Basically, the employer would come to us and follow the agreement to its letter, not necessarily what we would have liked, an open dialogue process.

But at this point, at this layoff, we didn't even get that courtesy. In fact, the press put out a news release of layoff, and the unions got that notice next day. We found that to be abominable, when people were going out of the door less than a month, as we thought, and under our agreement—and I found, again, a great deal of wisdom in trying to find out what my agreement actually meant to my members and others in the corporation who weren't fortunate enough to have union representation when they were going out the door. It was not a good time and there was a lot of acrimony.

Mr Owens: In terms of some of the allegations and the response in the auditor's report, I look particularly at one example on page 10, where there is a comment around potential conflict of interests in shares. The allegation was made that the Ontario Nurses' Association had been involved in reporting that allegation. How was that allegation reported to you and, to your knowledge, why have they backed away from that allegation?

Mr Schyngera: I can't speak for them. I have no idea why they would have backed away from it, because I have been in meetings and others on our side have been in meetings who would have heard that on a regular basis, and just general chitchat. But also at the Toronto health board there was a presentation made, as I indicated, on December 16; I said it was the 17th, but it was the 16th of December. We presented various papers to them on our concerns, again hoping something would be done at that time. It was presented there. It was presented, as I said, on May 7 at a meeting I attended with others. But I don't want to repeat them, because obviously they're not going to stand behind it. I don't know why they would back away from it. I have no idea.

Mr Owens: In terms of your livelihood, sir, do you have any reason to believe that your livelihood has been threatened by your appearance at this committee?

1110

Mr Schyngera: Yes, it has. I feel very threatened, because I feel singled out. I feel like I'm the messenger being shot here. The corporation, through Dr Alan Hudson, has initiated—which is probably a good idea—over the last few months a president's newsletter that talks about concerns and meetings that we, junior officials, attend so that everybody can be on board in what's going on. In the lead paragraph of his recent newsletter—which, by the way, I was quite shocked to read, because I hadn't received an auditor's report or I hadn't received any Hansards of what was going on in the proceedings after I appeared—he said he was exonerated, the hospital, and why aren't union officials quitting or resigning or that type of thing.

Mr Owens: Would you be prepared to share that with us, sir?

Mr Schyngera: I don't have a copy here, but it's in every department and posted all over the corporation.

Mr Owens: Would you please provide the committee with a copy of that at your convenience?

Mr Schyngera: I will do that. I also feel threatened because union officials of other bargaining units, as I understand it, were brought into a private meeting with Dr Hudson. I've been told later that they felt very uncomfortable and intimidated because he was threatening my job and asking for their cooperation to have me removed. I've heard also, from others in our union movement, that he's gone to various public bodies and other officials in the ministry to try to have me removed. So yes, I do feel threatened and I know letters have been sent to our union about legal action, possibly, and other types of things.

Mr Owens: Just a final question, Chair. I raised a concern, I believe it was about three weeks ago, with respect to the process, and being informed by Mr Morrow that the hospital had contacted him indicating it had received a copy of the audit. It was indicated to me that that is in fact the practice, that the auditee receives a copy.

Can you tell me in what manner you were contacted and what manner of verification process was done with you to ensure that the material you had presented was in fact what was going to be reported in the auditor's report?

Mr Schyngera: I had a meeting some months before, and they told me when they would be writing a preliminary draft. I believe it was some period in August. I'm not sure of the chap's name again, who's sitting at the head of the table. He was there.

Mr Owens: Would that be Mr Otterman?

Mr Schyngera: Yes, Mr Otterman, and Mr Mishchenko, I believe. I'm not sure if there was another—no, I think they were the only two. They went through a draft. They gave me the allegations in a couple of pages, and then went through an oral report, basically, of what they may be putting in. They told me they would be issuing a copy to the hospital and would give it the same consideration, an oral report, then give it a copy and myself a copy.

Mr Owens: Did you get a copy?

Mr Schyngera: No, I didn't.

Mr Owens: For the record, Chair, I want to indicate that in terms of the concerns Mr Schyngera has with respect to his livelihood, I think we, as legislators on all sides of this committee, must take a very dim view of that. It's our duty to be able to hear from taxpayers, and they should be able to testify in front of this committee or any other committee without fear of any kind of reprisal, whether it's their—

The Chair: It has always been the practice that—

Mr Callahan: I don't think that's even necessary. I think that's a statement—

Mr Owens: Well, sir, the witness has indicated that he has some concerns for his livelihood, and I want to get the message out that taxpayers are able to come to this committee and testify and be free of any kind of fear that their livelihood is going to be jeopardized.

The Chair: As the Chair of this committee, I'm not going to allow anything that has not been traditional, that has not been without precedent or that in any way is not within the rules we govern ourselves by. I want to make that very clear. When this morning on occasion I had to interfere, as I was supposed to, on behalf of Mr Schyngera, and sometimes I had to interfere on behalf of members, it was within full tradition, full precedent and full support of the standing orders we govern ourselves by. I don't think that's at issue here. I don't want to waste a lot of the committee's time on this matter. We've already lost a good 25 minutes of Mr Schyngera's time and his delegation's time. I think we should continue with our questions and we can have full discussions at other meetings if we have big policy issues that we have to decide among ourselves.

Mr Callahan: Mr Chair, I don't want to waste time either, but surely that statement being made should not be made in such a way that it's advising us, as a committee, that that's the way we should proceed. It's absolutely true. We all start with that premise: The fact is that it is accessible to any citizen.

But the purpose of this hearing is to determine whether or not the statements that were made and the action that was triggered were appropriate in light of the facts that were submitted to us. It had an impact on other citizens of

this province as well, ie, the Toronto Hospital, so I think you should recognize that.

Mr Owens: The issue is not access or rules of order—

The Chair: I'm not going to allow any more discussion on this. There's one matter of clarification that the clerk wants to make, and then we're going to go right back into our questions and answers. I would ask the clerk to clarify how Local 2001 got a copy of the auditor's report. Please, could you clarify that?

Clerk of the Committee (Ms Tannis Manikel): I felt that on October 15, when this was being tabled at the committee, it should go out to the union as well right away. My mistake was in not calling to make sure there would be someone at the office. I arranged for a courier to pick up the report at 10 am, when it was filed in the committee and became a public document. We had a call in my office from the courier saying that there was no one in the office and could he put it under the door? Because we didn't know when anyone would be in the office, we said all right to that. I probably should have followed up to make sure they did receive it, but I felt if it was under the door they would get it.

Mr Tilson: Mr Chairman, initially of course the report was confidential, and was marked "Confidential."

Mr Cordiano: No, it was released in the committee.

Clerk of the Committee: I waited until 10 am when the committee had it and the committee meeting started. At that point, as soon as it became public, it would go out to the hospital and to the union.

Mr Tilson: Oh. I apologize.

The Chair: Was there any such document on the floor of your office?

Mr Schyngera: Yes, I must say. But to go back again, we're all working officials, there's not a full-time officer, so we may not visit our office for several days, or weeks in some instances, because there have been some problems recently. I can honestly say there was that, but we picked that up in a full executive only about four days ago, I believe.

The Chair: Thanks, Mr Schyngera.

Mr Johnson had asked to be placed on the list along with Mr O'Connor. We may not get to you, Mr O'Connor. It depends on how much time Mr Johnson takes.

Mr Johnson: Thank you for that advice to be quick, Mr Chair.

Mr Schyngera, I wonder if you could just quickly tell me again what kind of relationship CUPE Local 2001 had with the administration of the Toronto Hospital in the months, maybe a couple of years, prior to the report being made. Did you have good cooperation with the administration? Were they willing to answer your questions or queries with regard to any major expenditures or administration problems that you might have raised with them?

Mr Schyngera: Let's put it this way. In the labour relations department, we felt cooperation in terms of at least understanding our problems in the labour relations forum, so we couldn't figure out why, every time any of

the bargaining agents made some overture to go to the board level, we seemed to be politely shunted off.

It's a large corporation; it's not like a small community hospital. So when we raise concerns, the labour relations department, which is our only agent we could get a direct access to on a regular basis, which we deal with for various multitudes of problems, not just collective agreement issues, all it could say is that because it is cut off from senior administration too—there are several layers above it—it doesn't get that information either. That's a rarity, since merger. Before, they seemed to have all the answers, or at least were hiding it. The impression I got since the last few years is that we're feeding them information well before they seem to be giving it to us. So no, we've never been able. It's like a stone wall to try to get real information of any sort.

1120

Mr Johnson: The process we've gone through certainly indicates to me that there's a need for better relations between management and the employees, whether that be administration and the union executive or just managers and employees generally.

Mr Schyngera: In fairness to the corporation, if I may just for a moment, I think some of these events may have helped, the ministry's guidelines and what have you, and I think the hospital is making a genuine effort. I want to be clear here. I've never tried to malign any officials of the Toronto corporation. In fact, in other meetings or publicly I have always suggested Dr Hudson is doing a good job or that other administration officials are trying to at a hard time. They're new officials—they weren't part of a past corporation—and were really trying. We have a long way to go, I always say, but that's basically what I'm—

Mr Johnson: Do you believe that as a result of this process we've just been through, the dialogue and relations between the management and the employees will improve? Is there a sense that this is going to happen? I understand that there might be some concern or that the senior administration—I don't know this, but I suspect, just from what I'm hearing, that they may be a little annoyed that they've been brought through this process as a result of the allegations that were brought forward. However, do you expect that there will be improvements in the long term?

Mr Schyngera: I hope so, but my problem right now is that the process the ministry wants to get all bargaining agents involved in, at least discussing and trying to get involved in some of the decision-making in the future—I don't mean how much expenditure and that, but how to help the corporation with suggestions and otherwise—began, and unfortunately, since this process, I've been excluded, frankly. I feel threatened. I've been told I shouldn't attend. So this union is without a voice right now in this hospital.

Unfortunately, I feel the good work that has been accomplished by the other unions at this point seems to be—they're very nervous. My concern simply is to get back to work with the corporation and try to get a better environment. Right now, since the auditor's report, I've been telling my

members: "These are the facts and I'm quite pleased. Let's put those to bed and let's go on."

The Chair: Thank you. Mr O'Connor. Dr Frankford would like a moment for questions also, if it's possible.

Mr O'Connor: Going through and reviewing your submission to this committee, there was the concern of course that the Provincial Auditor went in and took a look. I guess there were some things that are beyond the mandate of the Provincial Auditor to perhaps take a look at, but to put things in context, I've been looking at page 8 of your brief to us.

"Many years ago, the process was for the operations staff and management to sit down and go over the bids and possible work that would be required of contractors and there was consultation to decide whether it would be feasible to proceed in that manner. With the Begley contracts"—which of course are new, since the merger took place—"there was no discussion with the staff...."

The "no" kind of stuck with me because at that point, I guess, if you've got people in the operational plant of the hospital who can do some of the work—I guess that perhaps in the past there was a practice of including the people. Help me out a little bit here. The operations staff, were they the people who could actually do some of that work in the hospital?

Mr Schyngera: That was our concern. Up until the merger and Begley, our trades were probably overworked. They always complained that they were doing a great deal of overtime. The hospital was proud of the work they did. They developed, as I say, a large, extensive trades group in our hospital. I guess because of the merger, we've accelerated projects and whatever and growth in our hospital. The way I was told by our trades as well as senior administration, they could plan for a year and know our workers versus, let's say, contract work. There was an uneasy truce but it was reasonable. Nobody seemed to complain about each other's work.

After the merger, there was a continual, gradual increase not only of Begley doing large projects, but of our tradesmen constantly complaining that it was doing the work of the bargaining unit. They were left out of the process at bargaining through the hospital officials. When we were in bargaining and brought up that subject, which was very difficult for us, the employer indicated he was as frustrated as we were, because they were not part of the loop, other than being told what decisions were made. There was a new level of bureaucracy, of internal audit, that was deciding these things now with the Begley group.

Mr O'Connor: The submission that you made to this committee was in May, and that was subsequent to the announcements by the Treasurer and of course the Minister of Health about the 1% transfer payments. The minister was quite clear in her guidelines for the need to include the people within the hospital to be part of that. Do you feel that has taken place? I guess there was no way for the auditor to get a measure of that, but for us as committee members, that's going to be a concern. Sure, we could talk about the doors and some of the mechanics that have been raised, but I think in the context of the submission you

made to us, you talked about the overall operations and some problems in communications. I think that's some of the underlying fact.

Do you feel the hospital is trying to improve that relationship? In fact, I believe one of your recommendations in the back was that there should be more democratization of it. Do you feel there's been improvement there?

Mr Schyngera: I believe the hospital is attempting. It's a large corporation. I have to always be patient, I think, like all of us, and I think that's going to be the exercise I'm going to try to follow here as much as possible, but one of the things is that I do see signals.

We still have a long way to go because we're still out of the central bargaining process. I see money being wasted. I see decentralization of authority. We brought those concerns to Dr Hudson and the chief labour relations officer, Michael O'Keefe, and others. They know that this decentralization is a primary cause of grievance arbitration, which has increased fourfold or fivefold. We've never taken the amount of arbitrations we have, ever, since I've been a local president, and it's not just simply in disagreement at the labour relations end of it, but simply to try to get the departments to agree to it.

In other words, we've been told things like, "Take us to arbitration because we can't get the department to co-operate," and that type of thing. There are signals that this is going to improve, and some of that has, in fairness to the corporation. But there's still, as I say, a long way to go to get implementation and relieve the frustration of having settled things not being accomplished.

Mr O'Connor: In realizing too that there's been a change in management and that the conditions seem to be improving, and taking a look back at what you've presented to us, that ONA had to take the hospital to court to get a member of staff on the fiscal advisory committee, do you have representation on the fiscal advisory committee? I guess if you don't, I can't ask you the type of atmosphere there is in that sort of setting.

Mr Schyngera: Never been invited, no.

Mr O'Connor: Have the employees, for example, the people you represent, been involved in developing the recovery plan for the hospital?

Mr Schyngera: No.

Mr O'Connor: According to the guidelines that the minister has laid out—

Mr Schyngera: I know. In fairness, again, to the corporation, it did put invitations out in November, I believe it was, of last year to attend operational planning meetings. However, when we were given copies at initial preliminary meetings with Dr Hudson and others to express a joint labour-management committee type of thing and how we were going to set up try to develop committee structures and that, we were only issued a report that was already done.

In fairness to the corporation, I guess it had worked on this for many months previously—almost a year, I believe—and it was under time constraints for the budget year coming up in March to deliver this to the ministry.

That is what we were told. So they gave us a copy of the report.

The new process: I got the impression we would be invited back on and whatever, but these events have intervened, obviously, and none of that has happened. I'm hopeful that it will in future, but at this point, no.

Mr O'Connor: Mr Chair, if I might ask a question of the auditor, I believe I've got some more minutes according to the rotation.

The Chair: I added two minutes to your time.

Mr O'Connor: No, I've got—11:32. Thank you, Mr Chair. I've got it recorded here.

The Chair: No, I don't think so. You were to be completed by 11:28 and then I added two minutes because of all the interruptions, which made it 11:30. What I'm going to do is to give every caucus another eight minutes. We'll start this eight-minute round with the government, then the official opposition and then the third party. I want to remind you that Dr Frankford is also on the list and it's up to yourselves to decide how you're going to split the time. So you have eight minutes, Mr O'Connor.

1130

Mr O'Connor: That being the case, I can talk to the auditor on another occasion.

Mr Schyngera: Excuse me, may I just correct the record for a moment?

The Chair: Certainly.

Mr Schyngera: When I responded to Mr Johnson, I made a comment about being excluded from high-level discussions. That wouldn't be accurate. What I feel is that I should not be there because of the threats uttered. Also, I haven't had the courtesy of a meeting with Dr Hudson, which I've asked for through my representatives, to try to clear the air and what have you. My executive, as well as my membership, have asked me not to attend until this is cleared up. That's the reason.

The Chair: Thank you for the clarification. Dr Frankford has the floor and Mr Owens is also on the list.

Mr Robert Frankford (Scarborough East): Just one question, patient billings, page 9: Patient files have been lost, and billing statements. No computer system is perfect and errors will occur. In a hospital setting, besides the possible billing errors, I'm sure there's potential for clinical errors and serious consequences. Is there any routine way in which such occurrences are reported?

Mr Schyngera: Not openly. As I say, this is brown-paper bag stuff that I gave to the auditor to show that there seemed to be a problem in the system. The lab people were very distressed by what they saw in terms of reporting and reported to me. There seemed to be a document—I guess it didn't pan out with the auditors—that seemed to indicate there were lost or missing billings and that type of thing. Then again, officials seemed to confirm when I talked to them that there was a problem. Regarding expenditures, they didn't have an accurate figure, but they were throwing out ball-park figures of \$500,000, that type of thing.

Mr Frankford: Is there a system in place in which, say, lab employees would report on occurrences of things.

Mr Schyngera: I'm not aware of it if there is. Because of the frustration raised for all the employees of the corporation who use the system, as I've understood it, in particular through ONA people who have better access and people who directly use it such as clerical staff and others, they feel, at least from the comments I've got, that there's nobody they can turn to.

Recently, I think they're having a new retraining program. That may be a result of some of frustration over the years, but there's been really none that I can understand. In fact, some people have even reported they've been threatened with discipline and other things.

Mr Owens: I raised the concern last week with the deputy around the issue of the Begley relationship. Quite frankly, I still find this troublesome. The auditor has clearly done a thorough job, but again, in terms of vindication versus questions being raised, in my view, especially in this particular case, questions continue to come up.

The auditor has said in his report with respect to the relationship that, in terms of Begley, it's paid a flat fee. I'm looking at page 11 now of the auditor's report. "In addition, the hospital pays the salaries and benefits of all other Begley employees and provides office space. Office supplies and equipment, such as the leasing of photocopy machines, are charged back to the hospital in monthly billings."

What I've asked the auditor and the deputy, and I'm going to ask you here today, sir, is: In your view, is there any differentiation in the relationship between the hospital and the contractor? Do you see any daylight in that relationship?

Mr Schyngera: I personally, as well as other employees, don't see any difference, as well as administrative staff who had the same concerns raised. In fact, if anything, it's been the strangest relationship. I'm glad that you find it as puzzling and the committee found it as puzzling as all the employees of the hospitals since they've been there. As I've understood it, when we went to a previous auditor some years ago, he was told Begley literally didn't exist. That's why we had to scratch our heads and ask for a corporate search to find out if Begley existed. Sure enough, it showed 200 Elizabeth Street as its address, but the corporation kept saying that it didn't exist.

On the other hand, I don't know what you'd call them. We've seen them contract work out, and yet they exist in part of the corporation. I guess you've dispelled some of that because I've read and become more insightful about how this relationship is in terms of contracts. But still, if they're a private, independent company, I can't see how they can make decisions—let's say with the board, not being on the board—with the board, the way it was described here. I'm puzzled by it too, and I guess all employees are. I can't really give you more than that at this point.

Mr Owens: At some point in this process, we're going to be preparing recommendations. What recommendation would you like to put forward with respect to this relationship? Do you have any thoughts at this point?

Mr Schyngera: In my view, they're either an employee of the hospital and should be incorporated in part of the overall plant, but we have a plant. Their function may have been to be there when the Eaton wing was being built, as an example. It was completed late in 1980. With the construction of the hospital, as I say, there's been refurbishment from one building to another because it's old and it was decrepit. They've accomplished that. Why they would have a need to contract work out on the scale that they have over the years remains a mystery to me at this point, since our trades go wanting in terms of work, and they're there.

Mr Owens: So it's your view, as a result of this relationship, that the contracting out is a problem?

Mr Schyngera: Yes, that's been a problem for quite some time now.

Mr Owens: Has it adversely affected your bargaining unit, and in what way?

Mr Schyngera: It's adversely affected the bargaining unit. We've estimated, over the years, and just a bit before merger, there's been not quite half but pretty close to half. Some trades literally have not been back in the bargaining unit again since they attritioned them out, and they contract that work back in.

Mr Owens: How have you brought your concerns forward to hospital management?

Mr Schyngera: We've tried to grieve it. We've tried to put it into bargaining. We've had labour management on numerous occasions. In fairness, on the labour relations end, we've had those discussions, but they seem to have the same wall as we do in terms of getting senior administration to cooperate with us. We were in consensus on what the problem is, somewhat in consensus on how we would like to solve the problem, but we don't get those resolutions or approvals from the senior administration.

Mr Owens: So in your view, your discussions are surface discussions?

Mr Schyngera: That's it, and it creates frustration.

The Chair: Mr Callahan, eight minutes.

Mr Callahan: You've helped me in terms of coming here and discussing this because, as I see it, you, as a representative of the union, were attempting to protect jobs that were being lost through the merger by substituting some of this high-tech stuff, computers and so on. Is that a fair statement? I don't see anything wrong with that; that's your role.

Mr Schyngera: No. I don't think I was opposed, and I still am not opposed, because I think a problem of quality assurance exists in our hospitals and others. I think we have a long way to go yet to get a real quality assurance program. We've gone a long way; we didn't have one in 1983. I believe that was the year we started a recipient program and developed it over a period, but I still think that we have a long way.

Computers are not our problem. There is a technological aspect to it. My problem is to get the best value for dollar spent, and of course the concern is to keep as much as possible of the work Canadian. There are all kinds of

concerns that went through my mind, but mainly it's simply to make the corporation open. If the computers did that, fine, but they didn't seem to. They seemed to be part of that closed system of information.

1140

Mr Callahan: Okay. I want to go back to get in my mind how the steps were taken. I thought you told one of the other members that the Ministry of Health encouraged you and others to keep an eye on what was happening in the expenditure of public funds, and whether they were being expended appropriately. I thought that was—

Mr Schyngera: No, I didn't say that. I didn't ever get comments from the ministry saying, "Overlook what's going on."

Mr Callahan: But you did approach the ministry, did you not, to tell it about these problems?

Mr Schyngera: Yes.

Mr Callahan: When did you do that? What was the date you did that, do you remember?

Mr Schyngera: I can't give you the exact date, but it was in mid-February. I'd have to look at my calendar.

Mr Callahan: Some time in early 1992?

Mr Schyngera: Yes. Early 1992.

Mr Callahan: And did you have the brief available or were you just—

Mr Schyngera: Well, the brief wasn't even—I wasn't even contemplating, or this local or anybody else was contemplating, a brief. We were simply trying to see if the ministry, anybody, could—

Mr Callahan: Whom did you meet with?

Mr Schyngera: We've gone to auditors before; we've gone to the ministry. We wanted simply answers, and nobody's been able to provide them except until now.

Mr Callahan: Whom did you meet with in the ministry?

Mr Schyngera: As I said, in the meeting that I described earlier, Michael Decter and others who accompanied him.

Mr Callahan: When you met with Michael Decter, did you tell him about all these problems you reported to us?

Mr Schyngera: Yes.

Mr Callahan: Did you add any anecdotal comments?

Mr Schyngera: Everything you see in the brief was commented on and possibly more, and other union officials made an equal amount, or supported my allegations and made more allegations beyond this. This is the only area I know; they know other areas.

Mr Callahan: What did they tell you about these problems? What did he offer to do?

Mr Schyngera: He was concerned, it sounded like, but he listened and commented back simply, as I indicated before, that he was meeting with the Toronto Hospital officials and would look into it. That's all that I gleaned from him in the meeting. He listened, I guess, because we were raising our concerns to him.

Mr Callahan: Did you take any further steps to perhaps meet with the minister?

Mr Schyngera: Yes. That was the only meeting after numerous times, before and after, to try to raise these concerns. I know other officials of bargaining units have been trying. I guess some of them have received letters, but no direct meetings, as I understand.

Mr Callahan: Did you send any written communications to either Decter or the minister?

Mr Schyngera: Yes, back when we were doing some lobbying. As I say, we asked on various occasions, through our union, to get a meeting with the ministry, and that was the only opportunity, in this January meeting, to get that.

Mr Callahan: Was this a full statement of the things you've told—

Mr Schyngera: Yes.

Mr Callahan: Was that sent in writing to the ministry?

Mr Schyngera: No. We went into a meeting by invitation to raise our concerns, and it was done orally.

Mr Callahan: That's the meeting with Dexter you're talking about?

Mr Schyngera: Decter.

Mr Callahan: Decter. But did you ever forward correspondence setting out these concerns fully to the minister herself?

Mr Schyngera: No, not yet. We had given them a copy—did we? I'm not sure if we did; I can't tell you offhand—of our Toronto health board presentation, which is a mini. It doesn't put in all of the allegations, just simply our reforms of health care, the basic recommendations for our to the Toronto health board and that type of thing.

Mr Callahan: Nothing happened, so the next step was that you came to this committee expecting us to—

Mr Schyngera: We were hoping, because after the auditor's report I was aware that the hospital was going to be appearing here. As I say, I still don't know all the ramifications of this committee, but I know it had to do with explaining the auditor's report as it was issued. I believe I called Ms Manikel at that time. We asked our union if I could appear and give our views, similar to views that were expressed here, but maybe not in a brief then, because we wouldn't have been anywhere near prepared then, but simply to comment on the auditor's report.

Mr Callahan: The views are obviously observations more than just your observations; they're observations of people throughout the entire hospital.

Mr Schyngera: As I say, they seem to have taken on a life of their own, and it seems to be truth in the sense of common conversation that regularly gets talked about and discussed.

Mr Callahan: All right, but I have to assume that somebody had put out the word to these people: "We'd like you to bring in all the complaints that you observe of money being ill spent or improperly spent or not for value." Isn't that right? In order to pull all this together, and getting rumours and advice from all over the hospital, there had to be somebody who had said to them,

"Keep your ears and eyes open and report to us of any improprieties."

Mr Schyngera: Again, not by our officials because, as I say, if anything, I work in the hospital and I'm inundated with more information and more rumour that I try to dispel immediately or try to just take with a grain of salt because, as I say, the atmosphere has not been the most pleasant and people bring all kinds of wild allegations daily—I guess a lot wilder than what you're seeing, believe me. All I can say to you is that I get more than I need. As I say, I don't go solicit information; it comes to me.

Mr Callahan: Do I gather from that what you're saying is that you, as the president, just simply became, as a result of receiving these unsolicited—

Mr Schyngera: It was a cry for help. That's the way I saw it. People from lower administration particularly who were vulnerable in their jobs were feeding me this information, saying, "Please, do something." These are things workers saw as unjust or unfair or whatever and asked, "Since you're officials of the union, couldn't you be bringing these concerns?" Our trades, workers—I'm not saying they're officials, but they talked to us and we've had several meetings. As I say, I'm surprised. What can I say?

Mr Callahan: Okay. So you received these unsolicited, and the bottom line was that you and the others couldn't see why there were people being laid off or, because of certain of these allegations where if these matters weren't being overspent, as was suggested, they'd have the money to keep on these employees. That's your bottom line, isn't it?

Mr Schyngera: Yes and no. If there was a genuine deficit, we'd understand layoff, but it's the way it was conducted. It was not done in a humane fashion. It skirted the minimum requirements of employment standards. In fact, we raised a complaint at employment standards, thinking it was not accurate the way they went about lay-off. It was a very complex meeting because they obviously had got legal advice just to the bare minimum requirement.

Yes, we are trying to protect jobs, be clear, but we also understand that in today's reality—I'm not condoning it—we would have thought, since the merger when the hospital got the hospitals act changed to allow it to merge with the other side and they made a promise, and that's been repeated over the years, that we would consult. Well, we've been told, not consulted with, all the way through, and this was the ultimate, extreme example of simply: "Here's what you got. You can take it or leave it."

The Chair: Thank you. Mr Tilson, eight minutes.

Mr Tilson: Mr Schyngera, I'd like just to clarify a couple of the items in the auditor's report, if you could turn to page 4. This has to do with a concern that documents exist showing that operating money has been used to cover the cost of computers which should be from capital funds. What documents do you have that lead you to make that allegation?

Mr Schyngera: Again, what I gave, I gave all to the auditor and the document that we believe—I'm not the person who's the audit specialist. But again, brown paper-bagging

information to us, people have given us here. Look at this. There's a department that has taken some funds, and it was a renal unit document for previous computer expenditures and it listed some—I'm not sure of the figure right now. We assumed that would be an operating expense put towards a computer.

Mr Tilson: Who gave you the document?

Mr Schyngera: Documents come into my hands from various people. I can see why that would be a private document anyway, but it seems people are scared and they handed these documents over to me.

Mr Tilson: Do you recall who gave you the documents?

Mr Schyngera: I'm reluctant to name names because I'm not sure if it's appropriate or not, but they were given to me.

Mr Tilson: I just want to know, do you agree with the response of the Provincial Auditor?

Mr Schyngera: As I said before, and I'll say again, I accept the auditor's report as it stands, yes.

Mr Callahan: You've just given the reason there should be whistle-blowing legislation brought in by this government: to protect people and give them the right to bring those matters forward.

Mr Schyngera: As I say, my concern in this local is to put rumours to bed, but mainly to see whether or not we can simply improve administration, not to accuse. I realize, under the current hospitals act and in the past and whatever, the perception of secrecy in this corporation—and I've never experienced a larger corporation that I've ever worked in, never mind a hospital, and the levels of bureaucracy are astounding and staggering. Some of that's being demystified with the process we're now undergoing, and maybe that's what's necessary. But clearly I feel and others feel, probably, that it's almost alienated in your own institution. That needs to be cleared up, I guess.

1150

Mr Tilson: Obviously we as legislators, and I'm sure you as well, would like to see the relationship improve between employees and management at the Toronto Hospital.

Facts that you have given the Provincial Auditor simply doesn't agree with. Mr Decter, the deputy, appeared before this committee last week and he indicated that you had appeared before him or before his staff.

The process that has resulted from this exercise has been very expensive to the taxpayer of the province of Ontario. I understand that you came to this committee in frustration. I understand that. You can obviously tell that I'm rather annoyed by it, because it's cost the province of Ontario, the taxpayer, a lot of money. But at the same time, on the other side of the coin, I do understand your frustrations, and probably your regret.

However, let's return to the ministry, because probably these concerns should have been dealt with by the ministry. In fairness, you went to a meeting with the deputy minister, or you asked for a meeting with the minister and the minister wasn't able to see you. What do you think the ministry could have done?

Mr Schyngera: I'm not sure what forum—I mean, I'm a citizen like most, I guess. I read about government. There's the Ministry of Health. Could they look into this just to clear it up, to see, one, whether these allegations are true and, two, whether out of that we could get to improve relations? That's an important feature, because it has not been pleasant working in this corporation for all of us during this period, and it continues at this point. The apprehension is unbelievable. It's electric.

When you talk about money, you're right. I regret in one sense, but I don't in another, that this committee did this, because it's finally put to rest. I will make sure, and I do tell people right now, that this is all put to bed and "Don't put it out any more." I tell this to my trades and everything.

But on the other side of the coin, I came here with the labour relations problem we have—increased staff, increased amount of labour relations activity we've had to undergo right now—and for naught. On one hand, I believe we have a better understanding of our agreement, all parties, and seem to agree, yet we're expending greater amounts of money than before, and I find that to be detestable. And probably, if I were to factor in right now that amount of money, it would be far, far greater than what this committee has spent for this audit. That's my concern also as a taxpayer of Ontario. It comes out of the taxpayers' money to do that.

Mr Tilson: You've indicated that you have sent correspondence to the minister and to the deputy minister requesting meetings. Are you able to provide—

Mr Schyngera: No, not me personally. My union, through our representative, requested a meeting on our behalf through a letter to the minister.

Mr Tilson: You have access to those letters?

Mr Schyngera: Yes, I have copies of those.

Mr Tilson: Would you be prepared to give this committee copies of that communication?

Mr Schyngera: Yes.

Mr Tilson: Because I must say, Mr Chairman, as a member of the committee I am concerned about the lack of action, the lack of interest by the Ministry of Health. Whether these allegations are—

Mr Schyngera: I didn't say "lack of action." I don't know what the ministry did.

Mr Tilson: That's for this committee to determine, and I can assure you that as a member of this committee I would be trying to determine what action the ministry did take. It appears at the moment that they took none.

Mr Schyngera: I didn't get communication. I don't know if they took action, but I didn't get communication.

Mr Tilson: That's my point.

Mr Callahan: That's what drove you to this committee: the inactivity on the part of the ministry.

Mr Tilson: That's right. I am concerned about that apparent lack of action, although I certainly don't condone the actions of this delegation. I have said in this committee

in the past, and I say it to their face, that it was mischievous in so far as the resulting action this committee took.

However, this union felt it legitimately had concerns and it went to the ministry in good faith, it asked for an appointment with the minister in good faith, with allegations which it thought were very serious, and which appear now to be not that serious. I am concerned that the ministry did not take any appropriate action, or any action, in dealing with these concerns.

I don't have any further questions of that delegation, but I would like to hear other members of the committee comment, before we make a report on this matter, on whether we should pursue that apparent lack of action, or lack of action, by the Ministry of Health.

The Chair: Thank you, Mr Tilson. I'm sure we'll have that discussion yet. Just in closing, I think it would be fair that we allow the delegation to have any closing remarks you'd like to make to the committee. Would you like to make any closing remarks?

Mr Schyngera: I'd just like to say again that it is unfortunate that we had to appear here initially and now. I don't regret that experience. Notwithstanding Mr Tilson's comment that it was mischievous, it was never intended to

be mischievous. If you look at the body of the brief, the way I would like to read it is that it was a concern simply for health care, to improve it from now on. The snapshot, as I said in the brief, was to give a historical perspective of what may or may not go wrong in a corporation and what could be done in the future. It was never intended, and never was, mischievous intent.

The Chair: Mr Schyngera, I want to thank you and your delegation for appearing before the committee today and for answering all the questions that have been put to you.

Mr Schyngera: Thank you for having me.

The Chair: Can we take a couple of minutes before we rush upstairs for the vote, to decide on a matter or two? The clerk thinks we can do it all in two minutes or less. Quickly, please.

Mr Tilson: Mr Chairman, I think there's a vote that I must—I have been requested—

The Chair: The committee stands adjourned until next Thursday morning, 10 am.

The committee adjourned at 1157.

CONTENTS

Thursday 5 November 1992

Review of special audit on Toronto General Division of the Toronto Hospital	P-135
CUPE local 2001	P-137
Roman Schyngera, president	

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- ***Chair / Président:** Mancini, Remo (Essex South/-Sud L)
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- *Hayes, Pat (Essex-Kent ND)
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- *O'Connor, Larry (Durham-York ND)
Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

Substitutions / Membres remplaçants:

- *Owens, Stephen (Scarborough Centre ND) for Ms Haeck

Also taking part / Autres participants et participantes:

Leishman, Ken, executive director, reporting and special audits, Office of the Provincial Auditor

*In attendance / présents

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



Ontario

P-14

P-14

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Thursday 19 November 1992

Standing committee on public accounts

Review of Special Audit on
Toronto General Division of the
Toronto Hospital

Committee business

Assemblée législative de l'Ontario

Deuxième session, 35^e législature

Journal des débats (Hansard)

Jeudi 19 novembre 1992

Comité permanent des comptes publics

Vérification particulière sur
Division Toronto General de
l'Hôpital de Toronto

Travaux de comité



Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

Index inquiries

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Renseignements sur l'index

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 19 November 1992

The committee met at 1006 in room 151.

REVIEW OF SPECIAL AUDIT ON TORONTO GENERAL DIVISION OF THE TORONTO HOSPITAL

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. The members of the committee would like to give a warm welcome to some visitors from the state of Victoria in Australia. The delegation that has joined us this morning is part of an audit team, and the leader of the delegation is Mr David Sturgess. We want to warmly welcome everyone here. We hope the work of the committee is of interest and also very informative to our guests.

As members will recall, last week we continued to review the auditor's report regarding the inspection audit of the Toronto General division of the Toronto Hospital. We're very pleased this morning that representatives of the hospital are here to join with us to discuss the report. I would like to ask Mr Fraser Fell, chairman of the board of directors, to introduce the delegation that is here this morning. We're anxious to hear your comments and to participate with you in the review of the audit.

TORONTO HOSPITAL

Mr Fraser Fell: As already mentioned by the Chair, my name is Fraser Fell, chair of the board of the Toronto Hospital. With me today are Ms Naju Shroff, a partner of Arthur Andersen, board member of the hospital and chair of the board's audit committee; Ms Denise Arsenault, vice-president, finance, of the hospital; Dr Alan Hudson, president and chief executive officer of the hospital; Mr John Callum, controller of the hospital, and also Mr David Allen, assistant vice-president, public relations, of the hospital.

As most of you know, we requested of the Chair of this committee the opportunity to come back to the committee following your receipt of the final report of the public auditor and after your review of the allegations with representatives from the Canadian Union of Public Employees. We welcome this opportunity to meet with you again, and we trust that we can, with your support, put these allegations behind us and get on with the task of looking after the thousands of patients from across this province who come to us for the very best in health care services.

While my formal remarks will be quite short, we are prepared to answer any of your remaining questions.

The board of the hospital has carefully reviewed the final report of the Provincial Auditor. The trustees, as you might expect, treated this process with extreme concern, particularly as the same questions had been raised during the first audit. As a board, we were convinced that the allegations were totally false. To hear the same allegations

raised one more time and to have the auditors sent back to the institution a second time was a major blow to our board.

As very busy volunteer board members, they accept their responsibility for governing the hospital with a dedication that I have seen rarely matched in any other organization. Not only was our hospital's image brought into question throughout this process, board members, including myself, senior hospital administrators and others directly related to this hospital, were maligned to the point where legal action was a consideration.

In the words of the Provincial Auditor: "The union representatives were unable to provide us with substantiating evidence for many of the concerns raised. We concluded that, with the exception of operating problems with the new computer system, the concerns were generally without substance or were overstated."

The board of trustees accepts this finding. We are not pleased that the taxpayers of this province, at a time when funds are very short, were needlessly forced to underwrite the direct costs of the special repeat audit, not to mention the considerable waste of time by this committee, hospital staff and the office of the Provincial Auditor. We are convinced that we have been exonerated. We assume you also must believe this to be the case.

You are, I'm sure, going to ask me about what action we might take against those parties or individuals who, without thought to the damage their unfounded allegations might cause, created this situation.

I should note for the record that on at least two previously documented occasions in the past year, union representatives were given every opportunity, including the provision of forensic accountants, to review their concerns and to provide any proof or any substantiating evidence to support their case to the hospital or to external accountants. They chose not to participate.

The board has considered this issue very carefully. I am here to state to you that no disciplinary or punitive action is planned or contemplated against any party as a result of these proceedings. The results of the special audit speak for themselves and we are prepared to leave it at that.

Why do I say this? I am pleased to note that on Tuesday morning of this week, Dr Hudson, in his capacity as president of the hospital, met with Mr Roman Schyngera, president of the Toronto General CUPE local, Mr Ron Moreau, national business representative of CUPE, and Mr Michael O'Keefe, co-chair of the union-management committee. The purpose of that meeting was once again to extend to CUPE an invitation to participate in open, ongoing dialogue. We agreed at that meeting to put the past behind us and to work together to improve labour relations.

CUPE was asked and indicated that it would return to active participation in the labour-management committee. CUPE has agreed to bring its concerns to the table for discussion and clarification. We are once again optimistic of their full participation in the planning and decision-making processes and structures of the Toronto Hospital. We believe they are sincere, and we are prepared to work with CUPE and its many members who are so vital to the operation of this hospital.

The events of the past year have taught us all some very important lessons. Open communication is essential to today's management. We all recognize that times are changing. If we learn from the experience, we are all the better for it.

Since the special audit, the Toronto Hospital, for example, has initiated open board meetings and becomes one of the first teaching hospitals in Ontario to do so. In keeping with a more open approach to hospital decision-making, and to make the hospital more accountable to the public, we have also struck a community advisory committee made up of representatives from across the spectrum of communities served by this hospital. I have also referred to the labour-management committee initiated by Dr Hudson shortly after he became president.

The citizens of this province will continue to be well served by the Toronto Hospital. The board of trustees is committed to ensuring that hospital funds are well managed in accordance with sound accounting principles.

We now have a renewed commitment from CUPE to participate as a partner with the other unions and to bring their concerns forward. Through this whole process, we have become more open than at any time before in our more than 150 years.

Mr Chairman, I have no further comments but would ask that Dr Hudson be permitted to make a few comments.

The Chair: Thank you, Mr Fell. Please go ahead, Dr Hudson.

Dr Alan Hudson: Mr Chairman, ladies and gentlemen, I'd like to make some remarks to this committee to give some background to four particular issues which were raised during the discussion: the question of whether or not CUPE had access to internal mechanisms within the hospital to allow its concerns to be discussed; secondly, the question of whether or not the hospital ever denied the allegations that were made in a fashion that was clear to CUPE; thirdly, the question of how seriously the government and particularly the Ministry of Health took the allegations and their response to it; and, finally, a brief remark about the expense to the taxpayer of this exercise.

What I have is a series of letters, and I'm sure time does not permit me to read all these letters at this time. What I'd like to do is hand them in to allow your colleagues at this committee to read them at their leisure. So I'll make a very brief remark from each of these letters, and you will then have access to them to ensure that my remarks are not out of context.

The Chair: Do you have copies of the letters?

Dr Hudson: I have them here and I will give them to you, sir.

If I may just move through this, with that background, the first letter is dated October 29 and is addressed to Margaret Mottershead, the assistant deputy minister. It refers to many points which she raised and requested information on, one of which, in terms of human relationship, was, "On 24 July 1991 I invited the heads of the unions to meet with me on an informal basis to discuss a variety of issues." So the process in which CUPE was repeatedly invited to participate started on that date.

The next letter is on November 12, 1991. It is addressed to Frances Lankin and is actually signed by the then chairman of the board, Mr Crossgrove. Again, in response to several concerns raised by her related to these various allegations, Mr Crossgrove reports: "The hospital began an investigation into the patient computer system in September." It also outlines the investigations, both of them external to the hospital, by third parties, of the Begley situation. The dates of that are, again, in this documentation.

In a letter of the 14th written to Mr Al Wahid, president of Local 1744, there's again a record of meetings in July, and a meeting with Mr Rosario Marchese in September—and other records which you can read about invitations tendered by the hospital to participate.

The Chair: Can I ask you a question about those meetings in September with Mr Marchese? In what capacity was he meeting with whom?

Dr Hudson: I invited Mr Marchese to the hospital. He is the MPP in whose riding the Toronto Hospital exists. I was new on the job, and there were two reasons. One, I wanted to meet him on the matter of helping each other do our jobs, respectively, and that was the basis of the meeting. The second was to explain to him the fact that we had layoffs coming down the line and they were going to occur in his riding. I wanted him to have some notice of that ahead of time.

The Chair: I see. Did you have further correspondence with Mr Marchese after that initial meeting, in any regard?

Dr Hudson: I had further correspondence not directly with him, but I subsequently had a meeting with him. I have correspondence about him. I subsequently had a meeting with Mr Jack Shapiro in his office here the other day to iron out the differences which arose following that meeting.

The Chair: Thank you.

Mr Hudson: If I may continue, on November 14, we have documentation of letters—

The Chair: Could I interrupt you, Dr Hudson? Mr Tilson has a question.

Mr David Tilson (Dufferin-Peel): One of the concerns I have, Mr Chairman, is that we've gone through all this whole process and we're now hearing that the Minister of Health has had some knowledge of all of this, and I would imagine that at that time the member who represented your area was also a member of cabinet; at least I would assume that. I would like to hear more about that, about what Mr Marchese—

The Chair: Could we allow Dr Hudson to finish his presentation, and then we'll go back to your specific question.

Dr Hudson: I'd be happy to discuss it further.

The Chair: Thank you.

1020

Dr Hudson: In the letter I was discussing now, to Mr Al Wahid, I noted in November I had a very satisfactory meeting with Sylvia Blanchard and Mr Jim Fraser, who are the presidents of the ONA unions who were, in fact, participating in the practices we'd put in place to resolve these issues, ending:

"It seems to me that labour relations at the Toronto Hospital have not been the best for several years now. I am sure that both you and I would wish it otherwise; I look forward to meeting with you and starting a process of improving labour relations at the Toronto Hospital."

A letter of November 20 and on the record to Mr Schyngera:

"I was delighted to hear from you that, as president of your union local, you wish to participate in this process." That process refers to the strategic planning process of the hospital, which he stated he would participate in, and particularly discussing further the issue of funds, which was a major issue at the hospital at the time. "I would appreciate it if, as much as possible, your plans," which were for the budget, "could be accompanied by a business case in each instance."

A letter of November 25, 1991, to Mr Schyngera and to Mr Al Wahid:

"I thought we made significant progress at our meeting on Friday 22 November....I was particularly interested in the long list of issues which you raised with regard to Begley and Associates, and I am especially concerned about the allegation that Bill Louth," who is executive VP, "has been less than truthful with the auditors."

"I am arranging for you to meet with Mr Grant Jones (of Ernst and Young), who is auditing the Begley and Associates situation. I want you to have total access to him and to feel free to bring all allegations to his attention. It is essential that you be as specific as possible and that you document issues as fully as possible. I am sure you understand that when we make a decision it will have to be based on fact and not allegations. If you have allegations about inappropriate tendering, for example, I believe it would be reasonable to make that allegation and then back it up with some specific examples. Similarly, if you have concerns about conflicts of interest, please state the allegation and then give specific examples. The allegations against Bill Louth will have to be backed up."

I tell you, although it was a private meeting, that I was assured there would be no problem whatsoever of proving these allegations. In fact, "We have shoeboxes full of evidence."

I have a letter to Mr Jones discussing the setting up of the forensic accountants.

On November 28, 1991, a letter to Mr Al Wahid, again on several issues, but with regard to Begley and Associates: "Without breaking the confidentiality of our discussions,

you will remember that you made several extremely important allegations with regard to this subject. I asked you whether you could substantiate these critical allegations and you assured me that you could." Then, as you well know, they subsequently did not step up the line. So the documentation of that process is here.

A letter of December 9 to Minister Lankin about several issues, but specifically with regard to the external review of Begley and Associates, ending up:

"After very careful review of the documentation and an historical review of the relationship of Begley and Associates with the Toronto Hospital, the following conclusions were reached.

"(1) No evidence is forthcoming to suggest any impropriety or breach of trust.

"(2) The arrangement has been to the hospital's benefit.

"(3) Taking into account (1) and (2), the decision is made to maintain the relationship...."

On December 10, a letter to Mr Schyngera:

"Dear Roman,

Re: A management and union forum on teamwork."

This was a two-day event attended by a team from both management and labour, in which we invited him to participate—and they did—and in fact paid his way, as we paid for the union members, in excess of \$1,000 each.

We now come to an extremely important letter with regard to these allegations and the claim that they were not refuted, so I will read a few more sentences from this letter. This is dated December 12, 1991, and in the letter is the claim of "[an] incredible amount of funds [that] have been squandered in an unjustified manner" and claims of "mispending" and "frivolous spending."

"In yet another document issued and circulated by CUPE...on 7 November 1991, certain members of the board of trustees are described as 'blood-sucking vampires' and it is stated that they 'must be driven out of the community.'"

In addition, there were claims that Mr Bill Louth owns shares in Begley, which of course would have been a massive conflict of interest—incidentally, totally untrue; not a shred of evidence. There were claims against Mr Fraser Fell; Mr Alf Powis, who was here at this delegation before; against Mr Vickery Stoughton, that he held shares in a major vendor; against Sandy Twyon and against other people at the hospital, including myself.

"These statements are completely false and defamatory of the board of trustees, the Toronto Hospital and its president. They suggest, falsely, that members of the board of trustees and the president of the Toronto Hospital are acting for reasons extraneous to their public duties and not in the best interests of the hospital. They call into question the integrity and the good faith of the board of trustees and the president of the hospital."

That is dated December 12, 1991.

I have a letter to Gail Houston, another member of the government team, hospital coordinator, referring to the combined meeting of the union group and the management group.

A letter dated December 20, 1991, to both Mr Schyngera and Mr Wahid:

"I was disappointed to hear from Michael Baker that you did not attend the strategic planning meeting," despite the fact they said they would and were invited. "He told me that the union presidents who did attend made some excellent suggestions."

Another very important document, this one dated January 15, 1992, in which Mr Al Wahid and Mr Schyngera were invited to a meeting attended by all presidents to discuss the 1992-93 budget of this hospital. That process was in fact so successful that group has requested that when we go through the 1993-94 budget, which we're doing now, that the same process be used. Mr Schyngera was present at that and was invited to attend and did attend.

I'm nearly coming to the end of this sermon. At this point, on February 28, 1992, Mr Schyngera was present at the actual formal creation of the labour-management council, which grew out of a series of private meetings and subsequent group meetings in which he participated in the setting of the terms of reference and agreed that this would be the site at which labour-management issues would be discussed in terms of the major policy issues. Obviously, the negotiated issues would be discussed at other venues. That was for the second time agreed, that he would work with the hospital internally to resolve these problems.

February 5, 1992: a letter to Minister Lankin regarding the HDS Ulticare computer system, again a report to the minister. Incidentally, I might just add editorially that both the minister and Mr Decter took this entire situation extremely seriously and were in constant contact with me about it and, as you can see, I've issued reports to them about the findings of the external third-party reviews.

"After detailed consideration of the technical, functional and financial aspects of this project, the key recommendation is, 'Based upon our analysis,'"—that's the external review's—"we recommend that the Toronto Hospital keep the HDS Ulticare system as its core patient care system and supplement it with specific departmental systems."

There are also letters documenting the formation of the labour-management group. There's a letter to Frances Lankin on April 2, 1992, discussing further improvements in labour-management. I might add that she invited us to a meeting attended by herself, Mr Decter and the two co-chairs of the labour-management unit a few weeks ago in which the co-chairs reported to her of the excellent progress made and in which I reported to her on the lack of progress being made in our relationships with CUPE. The other unions have participated very well in this process.

Finally, there's a letter to Mr Michael Decter on June 12 to thank Mr Decter for steering me to Mr Pathe in the Ministry of Labour, who has in turn set in place a process, relationships by objectives.

My only request, Mr Chairman, is that when you come to review this entire process, you do in fact review the accusations and the facts of the matter.

Finally, I'll just state that I did meet with Mr Schyngera and with the business agent, Mr Moreau. Mr Schyngera has agreed that I will say what I'm now going to say, that he has requested that we put this entire matter behind us, that he told me he accepts the finding of the

Provincial Auditor and that he wants to get on with the business in a rational fashion.

On the basis of that now third offer on his part to behave in a rational manner in terms of labour-management issues in the hospital, I accepted him at face value. I believe he's sincere. On that basis, I advised Mr Fell we do in fact put this entire issue behind us. The reason I brought this information along is because of the extremely serious allegations made against persons I've discussed, which clearly have to be on the record as being totally false.

The Chair: Thank you for all of the information you've brought to the committee, Dr Hudson. Staff are going to make photocopies of all documents to ensure that all members of the committee and appropriate staff in the Provincial Auditor's office have that. I'm assuming you may have seen some of that information during the original audit.

Dr Hudson: Excuse me, sir; I beg your pardon. I left out the fourth item I said I would cover, which is the question of the expense, if I just put that very simply, and that is that the question of the expense of this group has already been discussed. I've asked Ms Denise Arsenault what the cost was to us, and the answer is 2,000 person-hours of senior staff during the process of this audit and, in addition to that, an additional fee to our external auditors, who had to be involved as well to the extent of another \$12,000.

1030

Mr Robert Frankford (Scarborough East): So there was—

The Chair: Dr Frankford, just hang on a second, please. I want to make note of this point. Your staff at the hospital spent 2,000 person-hours?

Dr Hudson: That's an estimate made by the chief financial officer.

The Chair: Okay, and we already know that the Provincial Auditor spent 2,500 hours. I didn't quite understand the last point you made about external assistance.

Dr Hudson: Part of the issue, sir, was that the external auditors had information that was required. They had to go through all their files and pull out information for the auditor's appropriate review, and that is billed directly to the hospital.

The Chair: How much was that?

Dr Hudson: It was \$12,000.

The Chair: The Provincial Auditor has told us that the 2,500 hours from his department work out to an average of about \$60 an hour, if I'm not incorrect. That's correct. What would your 2,000 person-hours work out to in dollars per hour?

Ms Denise Arsenault: That rate wouldn't be a bad estimate.

The Chair: Approximately \$60, okay. Dr Frankford, you had a quick question?

Mr Frankford: I wonder if the committee could receive the document you referred to, the report on the Health Data Sciences Ulticare.

Dr Hudson: The answer's yes. That document was available in full to the auditors.

Mr Frankford: Could it be circulated to the committee, please?

The Chair: Absolutely. Whatever information we have available will be made available to all members of the committee.

We've got approximately an hour and 15 minutes for questions and answers, so what I'm going to suggest is that we divide up the first hour, 20 minutes per party, and then that'll leave us 15 further minutes to kind of wrap things up. I won't take any time myself but I may interject with a question every now and then in the tradition that I've been taught by Michael Breagh, the former Chairman of the standing committee on the Legislative Assembly whom I understudied for a number of years, and Elie Martel and others.

Mr Tilson: You're doing a fine job, Mr Chairman.

The Chair: Thank you. I appreciate that. We have Mr Cousens and Mr Tilson, then we'll move to the government and to the official opposition.

Mr W. Donald Cousens (Markham): I think the first thing I want to say to Mr Fell, Dr Hudson's staff, is that I just hope more volunteer boards and hospital boards never have to go through what you've been through. I convey to you, certainly having been involved with the Markham-Stouffville Hospital and York Central Hospital, the effort that's put in by volunteers, people who care so genuinely about health care in their communities. When we talk about volunteerism, I don't think anyone in the world, unless they've been close to a hospital, knows the hours and the commitment that are put in by you and the people around and just the generosity of time and effort to the community. I say thank you again.

The one thing that came through in your report, as well as in Dr Hudson's, is that you want to get on with the world. I commend you for that as well. It's not easy, after what you've been through, and I'm sort of weighing—and Mr Tilson and I have already discussed a series of questions we want to follow through on, but we both have the greatest respect and admiration for what you're doing in that hospital.

There aren't too many of us in Toronto who haven't used the facilities, and we recognize them as being world class. It's my hope and desire that we continue to keep it that way, and unless you've got good labour relations going, you'll never have it again. You have it in spite of certain things. So the spirit and the intention you've expressed this morning is, to me, of the highest order. I sensed last week as well, when we were interviewing CUPE, that there was a sense that "we've made a mistake and we want to turn the corner." That pleased me as well.

I just want to make the positive notation that I'm glad you've come this morning, I'm glad the record is clear and I'm glad you're there to continue to serve our community with one of the world's great-class hospitals, just that generally.

I'll pass it over to David, who has a few questions that come out of other things we've been dealing with.

Mr Tilson: In my rough calculation of this whole exercise that the hospital and this committee and the Provincial Auditor have been put through, it appears we're talking about almost \$300,000, which is just terrible. I tell hospital people in my riding, specifically in the county of Dufferin, what Toronto Hospital has just been through, and they simply can't believe it.

I can tell you that as far as Mr Schyngera is concerned, he should be sitting on pins and needles that he's not going to be sued by the hospital, by Dr Hudson personally and by all the other officials personally, because he has certainly put the hospital officials through the wringer.

I should hope that he'd want to put this behind him. There's no wonder that labour-management, between the hospital and the hospital officials and labour, is bad, having gone through this exercise. It's regrettable, and there's no question that if I had a business and an employee did that to me, I'd fire them, but I suspect our labour laws preclude that from happening, and that's too bad.

One of my concerns—and I was particularly interested in some of the correspondence Dr Hudson was referring to us—is that the Minister of Health and the Deputy Minister of Health have known about these allegations, have known about the process, have known about what's going on, they knew the Provincial Auditor was going to undertake an extensive audit as a result of these very serious allegations, and they appear to have done nothing. I can't believe that the members on the government side didn't tell some officials in the Ministry of Health—aren't you a parliamentary assistant to the Minister of Health? I don't know, but the fact of the matter is that nothing has happened.

We've been put through this unbelievable expense, and this has been done, it appears, with the consent of the Minister of Health; certainly of the Deputy Minister of Health, and I suspect, when we look at some of this correspondence, we'll find out the Minister of Health. To spend \$300,000 of time and effort is reprehensible.

It's fine to say that the hospital can get on with its business. It's tough enough running a hospital, to have go through all this. My concern, though, is that we have a ministry that knew about it and didn't do anything about it. They knew we were undertaking this audit, that we were asking the Provincial Auditor to undertake this second audit dealing specifically with these very serious allegations. They knew the allegations were false, as I understand it, they knew before the Provincial Auditor started to investigate it, yet they remained silent and allowed this to happen.

I would like to hear from other members of the committee. I quite frankly think the Minister of Health, certainly the Deputy Minister of Health—he's been here once—should return to this committee and should explain why they allowed the taxpayers of this province to spend all this money. I'm lumping all the hospital moneys into the same parcel, mind you, but it's all taxpayers' money in the long run.

I'd like to hear from Mr Hudson. He made some comments specifically about some oral discussions he had with Mr Marchese. I don't know whether Mr Marchese was a member of the cabinet at the time you had those discussions. Having heard my comments and my

concerns as to what the ministry knew and what the minister knew, I would like you to comment or to elaborate more on what discussions you had with ministry officials, realizing my concern that we have been put through this exercise for nothing.

1040

Dr Hudson: I'll respond to those issues as best I can.

With regard to the issue of individuals—Mr Stoughton, Mr Louth, myself and others—suing Mr Schyngera and with regard to the question of dismissing him—and incidentally, in our opinion the labour law does allow for dismissal on the grounds of what has happened, but that's obviously a matter of opinion—we essentially decided to put all that behind us in the light of the expressed intent, as this committee has heard, from CUPE and Mr Schyngera that they wish to put all this behind them. That is the basis of our saying, "Let's put all this behind us and get on with our job."

The fact is obvious to us and to CUPE and I'm sure everyone in this room that health care in this province, the whole of Canada, is going to be in a very tough environment for the next several years, and very plainly it's essential that any major institution have good, rational labour-management relations. So it's on that basis that Mr Fell made the statement that we will not pursue either of those options.

With regard to the issue of government knowledge and action, I obviously can't comment on its relationship to the activities of the auditor going back into the hospital, but I really must comment on the fact that Mr Decter and Minister Lankin took this whole situation extremely seriously and were well informed about it and were receiving reports from me. So on the section prior to the Provincial Auditor going back in, I thought they were taking this every bit as seriously as I was, and I can assure you that I was taking it very seriously. But I cannot comment on the specific point you raised about the subsequent visit of the auditor.

In regard to Mr Marchese, my difference of opinion with him arose from the fact that despite the fact that the Toronto Hospital is in his riding, he took these allegations, as far as I could see, at face value and accepted them. He did not have the courtesy of giving me a call to discuss them with me or to ask me to come and visit him or to return a visit to the hospital which I had initiated. That was the basis of my disagreement with Mr Marchese's behaviour, and I made sure that he and the minister and the deputy minister understood that.

Again, I should emphasize that Mr Jack Shapiro and I met with Mr Marchese and his assistant recently and we've agreed, again on the same basis, to let bygones be bygones. Hopefully, I can help him in his responsibility as an MPP and he can help me in my responsibility as president of the hospital. So again, we have agreed to pass over that period of our history.

The Chair: Does Mr Cordiano have a supplementary?

Mr Joseph Cordiano (Lawrence): Pardon me, Mr Tilson, but this is a point I raised with the Deputy Minister of Health, Mr Decter, when he was here. I asked him specifically about the procedures the Ministry of Health

may have had for dealing with these sorts of incidents, these sorts of allegations. At the time, I remember his response, something to the effect that there was nothing documented by himself or anyone who was attending those meetings that were held with perhaps you, hospital officials and union officials; that in fact there wasn't really a process in place or a set of procedures to ascertain the kind of information we're talking about; that in fact there was nothing documented, which was rather startling to me.

You say today that these matters were taken quite seriously at the time by the deputy minister and by the minister, that in fact a great deal of action took place as a result of your meetings and as a result of union officials' meetings. So we're sitting here today getting quite a different story from you as to the extent of involvement with respect to ministry officials and how seriously they took these matters. Yet they told us, on that very day Mr Decter was here, that they didn't document any of this information.

The Chair: Very quickly on the supplementary, please.

Mr Cordiano: How would you comment on that? I would like to know from you that you made a number of meetings take place and that a number of incidents occurred. Can you provide us with that detailed information so we can ascertain whether in fact there were a number of meetings that took place?

Dr Hudson: In response to that issue, several points. I have purposely, in pulling letters from my files, shown letters addressed to the minister, to the deputy minister, to Mrs Mottershead, to Gail Houston, and I have letters to Pat McGee and various other officials. I believe probably one of the issues for Mr Decter is that he's responsible for at least 240 hospitals and it may not be that easy for him to find the letters, copies that went to him and so on, whereas for me, of course, it's all in one file. Mr Decter is one of the best public servants I've ever had the opportunity of working with. So they took this matter very seriously, and that is why I tried to document the issue.

With regard to the question of whether there are mechanisms within the ministry to deal with this sort of thing, I believe the position taken by the minister and the deputy minister was that there were third parties investigating these issues, as I have again documented. So it was not the case of the Toronto board judging themselves. We had external people judging the allegations on the two major issues of Begley and HDS. I think that's the only comment I can make on that.

The Chair: Thank you. Mr Tilson.

Mr Tilson: As far as our time allotment is concerned, other than one question I have, I don't have any questions. I think I would pass to the—

The Chair: You can reserve your time for later.

Mr Tilson: But the one question I do have is, do you have any correspondence in response to your queries to either Mr Decter or Ms Lankin dealing with these issues that you could make available to—

Dr Hudson: Yes; excuse me for interrupting. The letters I have indicated are in fact, in the case of Mrs Mottershead

and the case of Minister Lankin, responses to letters they wrote asking that these issues be addressed. So I can find those letters in my file if it would help this committee.

Mr Tilson: It would, Dr Hudson. I'm concerned, Mr Chairman, with two issues. I'm concerned about the process, because if it happens once, it can happen again, or maybe it will and maybe it won't; hopefully it won't. I'm concerned with the process, as to what the Ministry of Health does when situations like this arise and how it deals with it.

I'm also concerned as to what knowledge the minister, particularly the minister, had about all these allegations and why she allowed this committee to proceed, at this unbelievable expense, on completely false allegations, completely unfounded allegations. Dr Hudson, if you're prepared to make that available to us in due course, I would appreciate receiving copies of correspondence from Mr Decter and Ms Lankin to you or your staff.

Mr Chairman, I would reserve any other time I have.

The Chair: I'll make note of that, Mr Tilson.

We have Dr Frankford, Mr Duignan and Mr O'Connor: 20 minutes.

Mr Frankford: If I can perhaps make some comments on my understanding of what is going on with this process, the audit of the Toronto Hospital did not just start because the union came here with allegations. This committee had been looking at the Toronto Hospital, and that, I believe, was instigated by the fact that the Provincial Auditor had included the Toronto Hospital in his report. Partly, that was to look at agencies or independent bodies like universities which the auditor had reviewed previously, and then in the more recent one they'd looked at the Toronto Hospital. I believe questions were raised about the access of the auditor to hospitals, the extent to which the auditor could look at all the operations. I think this is particularly important in relation to the value-for-money aspect, which is becoming an increasing part of the auditor's role.

1050

Actually, I don't have the mandate of this second review. Although the auditor was, I believe, asked to look at the topics raised by these allegations, it was not confined to that and I would like to make the point that—okay, thank you. Shall I read it?

"The standing committee requests that...the Provincial Auditor perform a follow-up audit with full access to all the financial and related records of...the Toronto Hospital.... The audit should address, but not be restricted to...the new computer equipment...Begley and Associates...recent construction/renovation projects...." I'm not sure if, in fact, the question of recent construction/renovation projects was looked into.

Dr Hudson: Mr Chairman, I'm happy to respond to that.

Interjections.

The Chair: Order, please. I'm having difficulty hearing the witnesses. Please go ahead, Dr Hudson.

Dr Hudson: With regard to the point just raised about the first audit, which was, as you state, the provincial audit, I should state—I think I have already documented

this; I'm happy to do so again—the fact that I called a meeting of the provincial auditors, the external auditors of the hospital, the then president of the hospital, Mr Crossgrove, and several other officials, because the provincial audit had actually concluded before I started my job in July of last year; it had just concluded.

We sat down and Mr Crossgrove specifically asked, and it is minuted word for word, if the provincial auditors had any further concerns, at the end of the meeting, and we discussed the issues of the controls that had been put in place and other financial items. Did they have any specific further issues they wished to raise? Did they have any specific further questions? That's on the record; it's in the minutes. The answer was no from the provincial auditors. They were satisfied at the conclusion of that meeting with the situation. The answer is that in my view this go-round is directly the result of the CUPE allegations.

Mr Frankford: I'm new to this committee so I was not on the committee in the first go-round. I think that we have opened up areas to look at value for money and particularly I'm interested in computer systems and their application. Perhaps I will just state that and then defer to my colleagues here, and if there's time I would like to ask some questions about it.

Mr Noel Duignan (Halton North): First of all, I wish to remind my colleague across the floor, Mr Tilson, why this committee did what it did. It moved a motion on May 14, which in fact was moved by Mr Tilson, and the motion read:

"The standing committee on public accounts requests that, under section 17 of the Audit Act, the Provincial Auditor perform a follow-up audit with full access to all the financial and related records of the Toronto General division of the Toronto Hospital and report the results of this audit to the committee by September 1, 1992. The audit should address, but not be restricted to, the following:

"(a) the new computer equipment at Toronto General division;

"(b) contracts with Begley and Associates;

"(c) recent construction/renovation projects at Toronto General division.

"This audit may also take into account the concerns raised at the committee's hearings in February and May 1992."

As I say, that motion was moved by Mr Tilson and basically had general consensus from all the members of the committee. I guess that was raised because a number of allegations were raised by the union at that particular time.

I'm a fair-minded individual and I believe that when anyone appears in front of this committee he should have all his facts in front of them and if the allegations are true he should have the facts to back it up. If not, he shouldn't make those statements in this committee.

However, there were some concerns raised out of that audit that I would like to ask some questions around. One is dealing with the contract with F.D. Begley and Associates. I know I've asked the auditors to follow up with some information for me on it. My questions today in relation to your comments here are basically just very general. For

example, has the resident general contract arrangement been satisfactory with Mr Begley and associates?

Dr Hudson: The answer is yes, which is why the contract has been re-signed and why following a very careful review by initially a subcommittee and subsequently the full board of the external review of Begley, the arm's-length third party, which showed no evidence of wrongdoing—in the opinion of the board, the system was very much to the hospital's benefit. The answer is yes, the system is essentially as was, and of course is downsized because of the reduction in capital spending at the hospital. The contract was renewed.

Mr Duignan: At one of our recent committee meetings I asked the auditors if they had concerns around the fact that the recent contract for services with Mr Begley was renegotiated without tendering, and they expressed that they had a general concern about the tendering process. I wonder, could you please comment on that, why the contract wasn't tendered?

Dr Hudson: Concerns about the tendering in general were in fact refuted by the auditor, who found that the tendering procedures were exactly as they should be, except in a few minor issues of small amount. The issue of Mr Begley's contract not being tendered was that the process had been in place and was essentially being continued. There was no reason to tender it. We weren't discontinuing something and looking at something new.

Mr Duignan: That still hasn't answered my question. Why wasn't this particular service tendered?

Ms Arsenault: The policy of the Toronto Hospital allows for circumstances under which certain contracts would not be tendered every three years or things like that. The circumstances would be cases where there are sufficient grounds for not doing so, sufficient benefits derived from the situation that would be lost if we tendered the contract.

Specifically, in the case of Begley, you have with that group a knowledge of the Toronto Hospital that could not be reproduced in other people without very considerable additional cost. Their knowledge of the Toronto Hospital is of great value to us and, for that reason, through our purchasing policies, being satisfied that the benefits are there, it has not required us to go out to tender.

Mr Duignan: I'm still not quite satisfied with the answer but I'll follow up later with the auditor in relation to this question.

This particular contract or service, what is the dollar value of it?

Ms Arsenault: The value varies from year to year. In the current fiscal year the total amount of the contract, which in many respects is for direct costs associated with buildings and what not, would be approximately \$6 million.

Mr Duignan: You have a contract for service with an individual worth \$6 million and it's not open for tender?

Ms Arsenault: No. I am not being very clear. That is the total amount of work that will be done in construction at the Toronto Hospital, for renovations, new buildings, the

completion of certain new buildings at the Toronto Western Hospital.

What Dr Hudson was referring to with respect to the tendering process was that the large majority, almost all of that \$6 million, is work that is tendered indirectly through Begley. The Toronto Hospital satisfies itself, through its building committee, that Begley tenders the work appropriately, and that's what the work that was done by the Provincial Auditor substantiated. Virtually all of the work that is done by Begley is contracted and tendered.

Mr Duignan: That's not the question I asked. The question I asked is, how much does the hospital pay for the contract with Mr Begley?

Ms Arsenault: There's a flat fee paid. There's a flat fee associated with that contract.

Mr Duignan: What's the flat fee?

Ms Arsenault: It's \$150,000 or very close thereto.

Mr Duignan: Roughly; that's about the average?

Ms Arsenault: Yes.

Mr Duignan: Also, at that point you provide office space and all the necessary office equipment to Mr Begley. I was wondering, what size is that office space and what are the overhead costs associated with that space and equipment in it?

Ms Arsenault: The office space is approximately 2,000 square feet in each division.

Mr Duignan: In each division? How many divisions?

Ms Arsenault: Two divisions: Toronto General and Toronto Western sites.

1100

Mr Duignan: That's 4,000 square feet?

Ms Arsenault: Correct.

Mr Duignan: What would be the average square-foot cost of the office space in that building if you rented it to somebody else in the market, even today's market?

Ms Arsenault: The overhead costs?

Mr Duignan: Yes.

Ms Arsenault: The market rates for such space, I think, right now would be about \$8 to \$10 per square foot.

Mr Duignan: Is that just for the direct office space rent or would that include the overhead?

Ms Arsenault: No, that would be full cost.

Mr Duignan: Full cost and for the—

Ms Arsenault: Today's rent market.

Mr Duignan: —cost of the copiers etc?

Ms Arsenault: Correct.

Mr Duignan: Okay. Do you believe the contractual arrangement with Mr Begley is cost-effective?

Ms Arsenault: I am certain of it.

Mr Duignan: I would like to get back to the subject at a later point, but I want to leave some time for my colleagues to ask some questions, Mr Chairman.

Mr Larry O'Connor (Durham-York): I want to thank you for coming here today. I know we live in a busy, fast-paced world and I'm sure your time is quite valuable.

As my colleague across the floor said, the hospitals and boards do have a very important role to play and the volunteer aspect of that needs to be applauded from time to time, and we certainly echo that applause.

One thing, I guess, that was made clear to us as a committee when the deputy minister was here is that the minister and deputy minister realize that autonomy needs to be held within a hospital and a hospital board. When we were reviewing this, though, the minister's office and deputy minister's office were quite aware of it. They didn't want to interfere with the autonomy of the board or this committee because they felt that if the committee was looking into it, why should they spend the manpower looking into it?

Though these things often cause some pain and what not in looking at things, I think there's always something to be gained out of a situation such as this. It was the committee that had decided to do the audit and the information from CUPE had come after the fact. You have stated a commitment to improve labour relations. I think it must be very difficult in any hospital to continue to have good labour relations, considering the whole shift in health care, the lack of financial resources and restraints that the hospitals are under right now.

Certainly one needs that cooperation and a good level of labour and management relations. Again, I guess I have to applaud you for stating that you're willing to proceed and try to work together cooperatively with all the different stakeholders, the unions and what not, to make sure that those relationships are open and that you can work together at living with the financial situation we're in right now.

I know it's quite a change in the way health care has been provided for in the past. The dollars aren't flowing nearly as freely as they have been in the past. In fact, we even had some comment here about some of the operations in the hospitals that went back probably about three or four ministers and why the minister okayed something like that. There's a lot of discussion that can take place.

I guess one thing had perked my curiosity: Given the merger that took place and the cost savings that, I guess, never were realized, I wondered about the consolidation in floor space at the hospital. I realize you've got many different buildings. Not having an opportunity to tour the facilities and what not, I just wondered how well utilized your floor space is. There was some talk of space just being used for mere storage and what not. I would think that's very high-priced storage but maybe it's an efficient way to run the hospital. I wonder if maybe you could comment on that.

Dr Hudson: Thank you, sir. Just with regard to your first question about labour relations in general, it may be of help, Mr Chairman, if the committee had a pie graph of the breakdown of the unions at the Toronto Hospital which, as you can see, include CUPE, SEIU, UPGWA, OPSEU and ONA.

The answer is, as the cochair, who happens to be the president of ONA, told Minister Lankin, the general labour relations at the Toronto Hospital are good. Obviously, there are major issues of disagreement, as one would anticipate in a situation like that. The key point is that they should be

approached in a rational, negotiated way. ONA, for example, has put on the table a written list of some extent of issues to be addressed, and we're approaching them. As recently as last month, I had the executive committee of ONA in my office to go through issues with them.

I just bring the point up that since July last year, this has been totally available to CUPE; not only available to CUPE but also external accountants available to CUPE. We've got a long, long way to go, and you're absolutely correct in your sensitive statement of how difficult it is when 70% of the hospital's costs are salaries. Clearly then headcount is one of the key issues determining the financial viability of the institution and how difficult that is.

In that regard, we've made a terrific effort to work on the 30%, which is the supply side of it, not the salary side of it, and we're just in the middle of a major process of trying to optimize that component, because every dollar we save means fewer layoffs obviously. I think there's been very remarkable progress at the hospital and I'm sure all, including Mr Schyngera, will be happy to say that.

With regard to the issue of floor space at the Western division, all the patients have now been moved into the new part of the facility, which is the Fell wing, which is a modern up-to-date component from the point of view of patient care. These are very, very sick people coming to the Toronto Hospital. They are frequently referred from other hospitals because of complications or because of very special and severe problems. So that component of the building is very well used.

We've moved out of some of the older parts of the building. That is being redeveloped for laboratory space, redeveloped for teaching space and so on, and of course obviously including areas for storage. In a massively complex operation like this, that is the case.

At the General division, we have a couple of wards closed that could be used for patient care but we can't afford to pay the nurses to care for the patients and so we have to close the wards. That ward again is being used for educational purposes, so that when patients come to the hospital that will be the subject of teaching exercises. They are treated with dignity and with care. There are specific rooms set aside now in which medical students can be taught.

In our very large responsibility to the university, we take 40% of a current class of 250 students. We are using that space for newer concepts in education such as a new computerized system where students can sit down with a computer and interact in what is now the modern method. Instead of having to stuff all the textbook knowledge into your head, you can in fact have it in a computer, and it's a totally new style.

We are using the space, as it becomes available, as productively as we can. But clearly we have had to close down and downsize, as has every other hospital in this province, to cope with the realities of our economic times.

Mr Cordiano: I just want to review a number of matters with respect to how events led to information having been gathered by the ministry and officials of the ministry. I'm just glancing through all of the correspondence that you've provided us, and it's obviously correspondence that

you sent to either ministry officials or union officials. I don't see any of the correspondence you received in response to any of this correspondence that you sent out.

Dr Hudson: The Chairman just asked me about that earlier. In fact several of those letters are replies, and I gave an undertaking, I believe, that I would forward those letters to the committee.

Mr Cordiano: Right, that's understood. The reason I ask that again is because I want to get a picture of when these allegations were first made. I believe through your correspondence it is clear that you undertook some action to discuss matters with CUPE officials, with the local, and what I want to make clear is the point at which the ministry was made aware of these matters.

1110

Dr Hudson: I can respond to that. Mr Decter and I started our jobs almost simultaneously, so we had a get-acquainted meeting within weeks of both of us taking up our jobs, at which time I discussed a variety of issues that were facing me. He then and subsequently—that means July or August at the latest—was aware of these issues.

Despite the fact that Mr Decter has a massive responsibility to the province, I can speak to him any time I like. There's no problem about access. During conversations about a variety of things, I would tell him what was happening in terms of the external reviews. So a fair amount of this took place on the telephone during the course of what I would regard as natural relationships between the president of the biggest hospital in the province and the deputy minister.

I can't give you more detail than I've done. I certainly will give you the letters of inquiry from the minister and from the deputy minister to us, but a lot of this was in conversation. I'd phone him about the financial issue, I'd phone him about the CHO, I'd phone him about advice on a labour-management problem, and during the conversation I'd say, "We're anticipating the report on the HDS next week," or whatever it was. I assumed that this information was feeding into the ministry as it went along.

Mr Cordiano: So this letter dated October 29, your response to the assistant deputy minister—

Dr Hudson: Ms Mottershead?

Mr Cordiano: Mottershead, yes.

Dr Hudson: That's in response to a letter to me in which she specifically inquired and asked me to give her the information. As you can see, there are several items in that letter, and those are basically ticking off the questions she had asked me.

Mr Cordiano: So this is what? The first letter, perhaps the first document, with respect to information that was made available to the ministry?

Dr Hudson: The first documentation, it might well be.

Mr Cordiano: Rather than phone calls.

Dr Hudson: Exactly, yes.

Mr Cordiano: Then there's a letter to the minister dated November 12.

Dr Hudson: I believe so. That's the one signed by Mr Crossgrove?

Mr Cordiano: That's the next piece of correspondence to the ministry.

Dr Hudson: That is signed by Mr Crossgrove. Is that the letter to which you're referring?

Mr Cordiano: Yes.

Dr Hudson: That was in response to a letter from the minister to the chairman of the board with reference to financial questions, with regard to labour questions, with regard to management decisions, and that was Mr Crossgrove's response to her letter. I can provide you with the letter.

Mr Cordiano: So the minister wrote a letter to the chairman of the board on November 8 making inquiries about a variety of matters which are obviously germane to this discussion.

Dr Hudson: In part, yes.

Mr Cordiano: Would that be fair to say?

Dr Hudson: Yes.

Mr Cordiano: Since that time the ministry certainly had documented, or at least had a sufficient quantity of information to make requests or to ask questions in the form of correspondence, which we see right here.

Dr Hudson: That is correct.

Mr Cordiano: So there is some documentation there. I'm just trying to ascertain what—

The Chair: Maybe I can interrupt at this point and let all the members of the committee know that Mr Decter has responded to my letter requesting all documents, papers and things in his file. I've just recently received it. We were unable to make copies of it for the members for today, but hopefully some time this week every member will receive the package. It's extensive, but not to the point where it would be unmanageable.

Mr O'Connor: As thick as this?

The Chair: It's substantially more than that.

Mr O'Connor: Because this was made available in a matter of minutes.

The Chair: The clerk does not have anyone to assist her in this building. That is the difficulty.

Mr Cordiano: I accept that, Mr Chairman, and perhaps that will assist us in our deliberations some time in the future. We're trying to get a sense, if I may just say this, of what took place with respect to a number of—or the lack of procedure, if you will, in the process that was followed, enabling us as to do our work more efficiently as a committee in the future, knowing that if there is a lack of procedure in place in a ministry for matters like this, then it obviously will fall back on to a body such as this which would make inquiries once allegations are made.

It's important for us to determine that there is an effective and efficient system in place for dealing with these matters, not only in the Ministry of Health but perhaps elsewhere, and I think it's appropriate for us to get to the stage at which there's some formalization of these matters

not resulting in inefficiencies of the kind we've seen take place with this incident.

That may not be a question for you to answer, but obviously I think what you're saying here is that there was an informal process that took place initially—which I think everyone can appreciate and understand. But at some point these allegations were of quite a serious nature and the ministry, in my opinion at least, would have had to formalize this process so additional action could be taken.

I see here that with respect to the correspondence you made available for us, the board—the hospital—took initiatives to undertake a series of inquiries; outside experts were called in to undertake investigation. I see you had a series of meetings, or invitations were held out to the local to discuss these matters. Requests were made for these allegations to be documented and specified.

I see that perhaps you took appropriate action, but on the other hand, I don't see that the ministry had followed these steps in the process which would have indicated to us, or to the auditor, for that matter—he would not have had to do his 2,500 man-hours of investigation if it had been much more clear that these matters were ongoing and that there was a formalized process in place at the ministry level.

Dr Hudson: I understand the point you're making. I think, in fairness, as you state, the policies of the ministry clearly should be discussed with the ministry, not with me.

Just to reiterate—I hope I am not giving the wrong impression—it is my impression that Mr Decter took this whole matter extremely seriously, as did I, and he knew the board was taking its responsibility very seriously in this matter. He appreciated that the board members could not sit in judgement on themselves because they were the objects of the criticism, and he knew external third parties were in fact investigating it.

The discussion of what the policy of the ministry should be, should clearly be with the minister or the deputy. My attitude was that they took this as seriously as I did and they knew the matter was being investigated. Beyond that, in terms of the internal formal policies of the ministry, I think that should be addressed to the ministry.

1120

Mr Cordiano: I can appreciate that, and I don't mean to put you on the spot. To the extent that I think it would involve the ministry looking at this, examining it for future reference and its own use, I would imagine that at some point discussions with people such as yourselves right across the province would take place to put a process in place that would make sense to all.

I think it's appropriate, because any kind of spurious allegations that are unfounded need to be sorted through immediately without the kind of time, effort and waste we've seen in this procedure.

It's not only the ministry, but I think it would be appropriate for the ministry to undertake that kind of process with the people who are affected as well. I would like to see a give and take between the ministry and the officials of the hospital determining what the best way to do that is. It would involve your active participation, I would think.

Dr Hudson: In response to that, the record shows, the documentation shows, that the hospital's attitude to allegations and suggestions and criticism is to encourage them. Throughout the documentation, we kept saying, "Come and tell us about them."

The key point is that the allegations must have some even vague semblance of reality and must obviously—if someone accused Premier Rae of having shares in a major vendor to the government, that's not a light accusation. These are extraordinarily serious accusations that were made, with absolutely no evidence for them whatsoever. The hospital's position remains—it's the same as it has always been—"Bring your allegations forward. Let's discuss them. Let's look at them."

What I've learned from this is that I will never again arrange for a forensic accountant to look at the evidence. I'll demand to see the evidence myself. But I suspect what I've learned has been learned by quite a few other people here as well.

Mr Cordiano: That is an important and significant point, because I believe that since you had outside accountants looking at this matter, perhaps that triggered in outside observers the view that this was being conducted further as an investigation because there were some reasons for carrying out further investigations.

What I'm trying to get here is a first screen of allegations and the kind of evidence you might use in preliminary stages. That obviously did not happen all the way through in any of these procedures.

Dr Hudson: Entirely by CUPE's choice.

Mr Cordiano: Yes. Okay, thank you.

The Chair: I would like to take the opportunity to ask a few brief questions and make a couple of comments.

First of all, I'd like to say that when this committee made the motion on May 14 of this year—if I'm correct on the date—I don't believe we were aware of the extensive involvement of senior officials within the Ministry of Health. Certainly I was not aware that Mr Michael Decter, the deputy minister, had spent more than half a day—that's an extraordinary amount of time for the Deputy Minister of Health to spend on any matter—meeting with representatives of different unions to gather the information. Then for us to be told, "Well, yes, it was important, but a lot of the information was verbal and not a lot of notes were taken," I find extraordinary.

I also find it extraordinary that the sitting member was told of these allegations—I'm assuming that his concerns were passed on to the government for review and I'm assuming that that worked its way up to Mr Decter also and that answers to these allegations were available. What happened to the answers when they were received by the sitting member?

While we're an independent committee of the Legislature—I know the members feel strongly about their independence and we're not going to take orders from outside sources, if I can say that—we still are available to receive information. I think it's incumbent upon senior officials in the government, when they see the public accounts committee, which works hand in hand with the Provincial Auditor,

moving in a direction which has already been completely reviewed by the government to its satisfaction, I think it would only be courteous and professional for us to be told, through some type of correspondence, that the matter has been reviewed: "Do you want to call us in to give you whatever information?" We sent the Provincial Auditor out and used 2,500 person-hours of that office's time that we cannot use on any other matter.

Mr O'Connor: Is there a question in there?

The Chair: Are you the Chair right now?

Mr O'Connor: I was just asking if we are going to get a question.

The Chair: The other point is that we forced you, an institution that is under financial stress because of the economic situation in the province today, to spend a further 2,000 person-hours of time plus other costs. So we've used up 4,500 hours of expensive time to go over a presentation that supposedly had been reviewed by the senior officials within the Ministry of Health, all the way up to the minister herself. That causes me a lot of concern, and I think that's a matter that this committee should discuss on a future date.

Somehow, we're going to have to coordinate our work with the ministries in the government, first of all to find out if the work we're undertaking has in fact been discussed with them and reviewed by them and what information they have. I think that's going to be an important topic of discussion. I would like to see Mr Decter come back. I have many questions for him, and I think maybe other committee members do.

While the auditor's report exonerates the hospital as far as wrongdoing is concerned, I still have a couple of concerns I'd like to ask about. We live in an environment, and I've been in a political environment for over 20 years, and in this environment we usually tender for just about all services that the government wishes to buy. I know that cabinet ministers cannot issue authority for services to be bought over a \$10,000 limit. There's that restriction.

I'm still not satisfied, and I'm not satisfied possibly because I don't have all of the information, as to why a multimillion-dollar computer contract, maybe in the \$20-million range—I guess that is approximately the correct figure—was given out without a tender. That concerns me a great deal. Twenty million dollars is a lot of money. One million dollars is a lot of money. All of us here work within an environment, as I said to you, that this is foreign to us. If your hospital is giving out \$20-million contracts without tenders, then I really wonder what's going on elsewhere. How high does this go? That, to me, has been a concern from day one. It's still a concern today, and I think it's a legitimate question that this committee should put to you, Dr Hudson.

Dr Hudson: I think it's an extremely legitimate question. The issue of tendering was in fact reviewed by the Provincial Auditor and was found to be, in the Begley situation, completely within a normal range of behaviour, except for some minor points they raised. The tendering

policies of the hospital were raised before when we were here, and they are quite explicit.

The specific issue of the HDS contract, which was not tendered, of course goes back a long way before I got there, but the issue at that time was that there was only one vendor in the world. This was totally a cutting-edge system; in fact, it is a system which has to this day not been duplicated.

So when I asked the question you've asked me, because I agree with you that it's an absolutely critical question on the use of public funds, that was the response I was given, that at the time of the arrangement between Data General Hardware and the HDS group in California that put the whole package together, there was simply nowhere else to tender it.

The Chair: Then that leads to another question. Are all hospitals in Ontario using this California firm for such equipment?

Dr Hudson: The answer is no. There is a wide variety now. I forget the exact date. Mr Fell, can you recall when this decision was made? Six or seven years ago, at least. Do you have the date in your head?

Ms Arsenault: Yes, 1984-85.

Dr Hudson: It was 1984-85 when the initial arrangement was made. Since that time, of course, there is a wide variety of vendors for various hospital systems. We have a hospital of incredible complexity and seriousness of illness of patients and so on. We now have just recently undertaken quite a significant review of alternative systems, because there are additional pieces we need to add on to our system. Members of the staff have been to Sunnybrook, which has another system, and to various hospitals in the States that have other systems. At the moment, there is still no comprehensive system that could be tendered against ours. But in terms of additions now, anything added on to what we've got will be tendered in the usual way.

1130

The Chair: I don't dispute your answer and I don't want to dispute the facts, but I dispute the idea behind it. I'm assuming that all of the hospitals in North America are functioning, and most of them, I would hope, are functioning at the same professional level that your hospital is functioning at. I'm assuming they have systems in their hospitals such as the one we're discussing which make the operations of the hospitals efficient and professional and everything else that is needed to serve the patients. I've got to believe that they have other systems in place and I've got to believe that this California operation is not supplying every hospital on the continent with this hardware or software system, whatever we want to call it.

If we look at it in that perspective, then I find it difficult to accept that the decision—and I don't want to be a Monday morning quarterback or a seven-years-later quarterback and I don't think the committee wants to do that either, but I think you would be asking us to believe a great deal for us to believe that that was the only system, that they were the only people and therefore we couldn't tender.

I don't think that's good public policy process. I think it's rife for abuse, and I'm hoping that other hospitals in

this province would not allow themselves to be put in that position, because it allows for the institutions to come under severe questioning, which is what's happening right now.

Any further questions by members? Each caucus has five minutes.

Mr Tilson: Dr Hudson, getting back to one of the two issues I'm concerned about, Mr Decter obviously had some knowledge of all of this; he had substantial knowledge of this. He had discussions with Mr Schyngera. He had discussions with you. Do you believe the ministry pursued any of these allegations in-house? Do you have any information that can assist us? Again, I'm trying to have some assistance to the committee with respect to the process that the ministry has when it hears allegations such as this towards a hospital. I guess my question is, to your knowledge, did Mr Decter or any of his staff pursue any investigation of these allegations that were made by CUPE?

Dr Hudson: It was my knowledge that either Mr Decter or Ms Lankin, or both, directly received the allegations of CUPE. What they did about it, beyond what I've told you that I know of, I have no further knowledge.

Mr Tilson: So you don't know whether they came to any conclusions. Did they communicate with you or any members of your staff or any members of the hospital? In other words, after you believe that these allegations were made, the same allegations that were made to this committee, were there any telephone calls or any correspondence that were made to you or members of your staff inquiring about these very serious allegations?

Dr Hudson: I told Mr Decter that these allegations were false, and I told Mr Decter and Ms Lankin and wrote to them, or wrote to the ministry, that the findings of the two major external reviews were that there was no wrongdoing, there was no substantiation of the allegations. That was the end of the matter as far as I was concerned, so I cannot reply as to what the ministry did with that information. My assumption was that they accepted it.

Mr Tilson: So because there was no further communication from either Ms Lankin or Mr Decter, you believed that they were satisfied.

Dr Hudson: Yes.

Mr Tilson: Thank you. I have no other comments or questions.

The Chair: Thank you. Mr O'Connor and then Dr Frankford and then Mr Hayes. You each get two minutes.

Mr O'Connor: I'll keep this as brief as possible. I guess what this points to is the fact that we as committee members and members of the Legislature do make mistakes as well. Perhaps we should have inquired at the Ministry of Health before we even sent the auditor in, so maybe we've got something to learn. We'll talk about this later, at another time. I guess it's like the opposition, when it made allegations about all the deputy ministers spending wildly and everything, and in fact we sent the Provincial Auditor in to investigate because that was an allegation that this committee

thought should maybe be investigated. It was never substantiated. So I guess things do happen at times where we don't need to maybe go in and do all that spending and all the investigations that we did do.

Back to my question that I had asked, though, about floor space. The reason I asked that question was because of page 17. I know my colleague across the floor raised this. I think he was talking about a former minister, when the approval came through a Conservative government at the time. Anyway, page 17 mentions two floors of empty floor space in the Max Bell Research Centre. That's why I had asked the question about floor space. I know we've got a very brief time, so could you maybe answer the question I asked earlier about floor space and utilization?

Dr Hudson: At Max Bell?

Mr O'Connor: That was at Max Bell, according to the audit, but I was asking about all of the hospital space, given that there is a restructuring going on, and how well it is being utilized.

Dr Hudson: The Max Bell Research Centre is an extremely busy part of the hospital. The Toronto Hospital last year received over \$28 million in grant capture, the highest for any hospital in the city. Much of the work—not all, but much of the work—

Mr O'Connor: If I could help you here, I realize the importance of that and the research that the hospital does, but floor space is the question. I'm not speaking specifically about Max Bell; I'm speaking about the overall hospital space with the new hospital that's been formed by the amalgamation and some of the downsizing. You've explained how you've utilized some of this space through the teaching, which is a very important aspect, and the hospital is renowned around the world for that. But the hospital space utilization, if you would, please.

Dr Hudson: If I could just finish off the Max Bell issue, the accusation was that it wasn't being used. The floors that are not used, to answer your question, all the shelled-in floors, have not been completed. When the money is raised by private donation to do so, they will be filled in. We have more than enough applications for research space that we cannot meet. So there's an empty part which is now used for storage which is not complete; it cannot be used. When the money is raised, we will use it.

As I said before, space is obviously available when you downsize an institution. That's within the structure of the building, and we are using that as constructively as we can. In fact, it gives us quite a few opportunities to expand various areas of the hospital that are tight for space. For example, the foundation office has just moved. There's an area which raises large amounts of money to support research and, to some extent, teaching in the hospital. So we are using the space that becomes available as it becomes available. Some of it is locked up and fallow and will remain so until there is sufficient funding available to hospitals in general, not to our hospital in particular, to use the space again.

We've also knocked down part of the building, the north Bathurst wing of the hospital at the Western division. If you go there now, it's a parking lot. That was part of the

density arrangement, the density laws for that site. So that was an area of the hospital that has just simply been wiped out, and we are now generating revenue from that parking site for the use of the hospital.

I don't know if I can be any more specific on the issue.

1140

Mr Pat Hayes (Essex-Kent): Dr Hudson, I guess you've already been asked questions regarding the accommodations for Begley, and of course paying \$150,000—am I correct?—as his salary. I guess the other thing is that you also pay for 4,000 square feet of office for them and for other equipment.

Actually, I have two quick questions. Do you pay for employees under Mr Begley also? Then my second question would be, don't you feel it's kind of unusual that, in a public institution you would accommodate and spend money for a firm and that firm is also able to use that office space and pay employees to do private work outside of the hospital? Is there any return from Mr Begley towards the hospital for accommodating him, paying his salary and paying for office space and equipment?

Dr Hudson: Sir, if I could ask your indulgence, Ms Arsenault had started answering those questions. I'll ask her to respond to those.

Ms Arsenault: There are really two parts to your question, I think. One has to do with the issue of space and the other has to do with recoveries, if you'd like, when work is done for other institutions. What I think has not been very clear, perhaps, to this committee is that virtually all the work that is done by Begley is done for the Toronto Hospital. There have been, over the years, some minor exceptions to those rules, but you should understand that the exceptions have been work that was done for the University of Toronto, for the Wellesley Hospital and for Women's College Hospital. Had any work ever been done for a non-public institution, the Toronto Hospital would have required a recovery of overhead. We did not require recovery of overhead when we knew we were assisting a sister institution, really.

The other thing—

Mr Hayes: Mr Begley would also make more money doing that other work, no? If he worked for the university or other institutions, would he receive revenue or fees from those other institutions, at the same time working out of a hospital?

Ms Arsenault: The arrangement we had with Mr Begley was that it was a portion of the staff cost that would otherwise have been covered by the Toronto Hospital. When staff were working on other projects, the recovery was made not from the Toronto Hospital but rather from the other institutions, so it therefore reduced our costs and they were passed on to the other institutions instead. So the \$150,000, in those years when there would have been outside work done, would have been shared in part by the other institutions, and the Toronto Hospital's share was therefore less.

Mr Hayes: So you're saying that if this were happening at the present time, Mr Begley—

Ms Arsenault: Yes, that's right.

The Chair: We're way over our time limit. I've been very generous.

Interjection.

Mr Hayes: You ask your questions in the manner you want, Mr Tilson, and I'll ask the way I want.

The Chair: Order. Order, please.

Mr Hayes: It was the fee. Does he get extra fee? That's what I wanted to know.

Ms Arsenault: Yes.

The Chair: Mr Cordiano, you have five minutes.

Mr Cordiano: I'm still very distressed. The more I read this correspondence, the more I come to the conclusion—various pieces of information, for example in your letter to the minister on December 9 in response to the Ernst and Young information supplied, looking into the relationship of Begley and Associates with the hospital, you point out very clearly that, "No evidence is forthcoming to suggest any impropriety or breach of trust." Similar words in a letter dated February 5, 1992: "No evidence of impropriety is reported in the report nor was any suggested in meeting with the external reviewers." This was again to the minister, and then finally, April 2, 1992: "On the financial front, the problems which were revealed in late summer 1991 have been defined and managed. The various components of the recovery plan are now showing significant financial return and this will be reported to the ministry in the usual format."

There's a whole series of reports that you make to the minister personally, at least addressed to her attention, about this ongoing matter. You keep referring back to it. You've brought it to a conclusion satisfactory to yourself and all those concerned on the hospital board, I imagine, and any others who were looking at this question.

This is really my question: The ministry was satisfied by the efforts that you undertook to investigate this matter, to bring it to a satisfactory conclusion? I don't have the correspondence; I apologize. Perhaps we should have that in front of us, but I'd like to get a sense from you personally that this matter, to the best of your knowledge, had been satisfactorily resolved with the view that the minister had taken at that time in her correspondence back to you, in response to the letters that you had written to her.

Dr Hudson: Sir, it was my impression that when I reported that the results of the external reviews showed no wrongdoing and that the board in fact had gone through this extremely carefully and reviewed the reports from outside, the deputy accepted that as a satisfactory inquiry into the matters at hand. My impression was that the ministry accepted it.

Mr Cordiano: The minister had no qualms about this? In her response to your letters, there was no suggestion that additional efforts on the part of the ministry would be undertaken? In fact, she was completely satisfied with the review that had been conducted or the investigations that had been taken?

Dr Hudson: Your comment about the fact that having made the report to her—because I knew she was very

concerned about this—there was no subsequent request for further information or subsequent request for clarification from them: To my knowledge or remembrance, that is correct. I assume that they, as the board had done and as I had done, had come to the conclusion that there was no basis for the allegations.

Mr Cordiano: Right, and in light of the fact that I believe CUPE and, in fact, the sitting member had made some reference to concerns, had been apprised of these matters as far back as the summer of that previous year, 1991, and had made a number of relevant pieces of information available, it seemed to me that everyone was quite concerned about this and that the ministry had absorbed all of this information and then perhaps relied on your review to be conducted to reach a final satisfactory conclusion. Everyone thought, “Well, we’ve done our work and there doesn’t seem to be any wrongdoing here.” Of course, CUPE wasn’t satisfied, and yet the ministry was. Now, you know, coming back to this committee, it looked as though we had a matter to look into that was quite serious that needed further work.

Dr Hudson: I can’t comment because I simply don’t know why CUPE wasn’t satisfied. What their motivation was, needless to say, has crossed my mind numerous times. I don’t know what the answer is.

Mr Cordiano: But the ministry was satisfied and that’s basically the final point I wanted to make.

Dr Hudson: Yes.

The Chair: Mr Tilson, five minutes.

Mr Tilson: I have no other comments.

The Chair: Very good. Thank you.

Mr O’Connor: Mr Chair, I have a motion.

The Chair: You have a motion?

Mr O’Connor: I don’t know if it’s in order or not. It’s just that some of the information that we have received from CUPE has stated some employees’ names and what not. I just thought, whether it needs to be a motion or not, that we should keep this confidential among the committee members. It’s just a concern I raise.

The Chair: I’m not sure how we’re going to do that.

Mr O’Connor: I don’t know whether there needs to be a motion or just a recognition that we should perhaps keep that confidential.

The Chair: Let me say this: I’ve always asked the committee members to use their best judgement when they receive information, and I’ve always told committee members that if they make certain documents public they’re going to have to be the ones to explain why.

Yes, Mr Duignan?

Mr Duignan: If I could just point out very briefly that when it’s circulated to members of the committee it’s already a public document.

Mr Cordiano: This is public information.

The Chair: I just reiterate my advice to the members: Use your own best judgement.

Mr Cordiano has a notice of motion.

Mr Cordiano: I think we’ve finished our questions with the witnesses. Are we dealing with the item that I brought before you?

The Chair: I’m—

Mr Cordiano: Before we get to that, if I may, I would like to put a motion on the floor with respect to this subject, to conclude it.

The Chair: I was just going to mention the fact that you had a notice of motion, because we have approximately nine minutes’ time left, so whatever else we want to do, we’re going to have to judge ourselves accordingly. Do you have a motion, please, Mr Cordiano?

1150

Mr Cordiano: I would suggest, and I would like to make it in the form of a motion, that this committee request that the Deputy Minister and the Minister of Health come before it to explain a series of matters relating to this subject so that we can ascertain what procedures are in place in the ministry and if they are in fact effective to deal with serious allegations that come before the ministry. I think it needs a follow-up.

The Chair: Would you be satisfied with a motion that read, “The public accounts committee requests the attendance of the Minister and Deputy Minister of Health at their earliest possible convenience”?

Mr Cordiano: Yes, that would be reasonably satisfactory.

Mr Duignan: This side has no objection to that motion. I’d like to call the question on it.

The Chair: Everybody understands the motion? All in favour? Opposed? The motion is carried. The clerk will prepare a letter of invitation for me to sign on behalf of the committee.

Mr Fell: If I may just sum up, as far as the hospital is concerned, we reaffirm our position that this matter is behind us now. We’re going forward. The hospital has just been awarded a three-year accreditation, which is the best accreditation one could get in our circumstance. We are the leading teaching and research institution in this country. As a result of the merger, there was a real benefit from the merger, and I think a one-pager on the savings has been filed with this committee previously. We go on from here and we thank you for your consideration of our case.

The Chair: On behalf of the committee, I would like to thank Fraser Fell, chairman of the board of directors, Alan Hudson, president and CEO, and other senior staff members from the Toronto general division of the Toronto Hospital for their attendance this morning, for giving us the information they have and for answering all of our questions. Thank you again and best of luck.

COMMITTEE BUSINESS

The Chair: The committee has two other items to deal with this morning. Mr Cordiano, you have asked us to distribute on your behalf a notice of motion. Would you like me to read the notice of motion into the record at this time?

Mr Cordiano: Sure.

The Chair: Mr Cordiano has moved, dated November 19, 1992, that the Provincial Auditor review the Workers' Compensation Board's plans to build a \$200-million office tower to serve as its new headquarters. As part of his consideration, the auditor should examine whether this is good value for money in light of the fact that it would cost \$380 per square foot for this new office space at a time when there are 27 million square feet of available office space at an average cost of \$20 per square foot in Toronto.

That's Mr Cordiano's notice of motion. We'll discuss it next week.

Mr Paul Wessenger (Simcoe Centre): If we're going to discuss it next week, it might be helpful if we got some information from the WCB with respect to whether it still intends to proceed. I know there's a news column today that indicates that the matter might not be proceeded with, in which case it would not be useful for the committee to investigate something that isn't going to be proceeded with.

The Chair: We'll undertake to find out. I'm not sure who we're going to call. I know the Treasurer has made some comments. We may call Mr Laughren or we may call Mr Di Santo directly, but I want to have the consensus of the committee that we undertake those phone calls. I cannot allow the clerk to call without the support of the committee behind her.

Mr Cordiano: Could I just say very briefly that the decision not to proceed is really immaterial. I think the decision itself to move in this direction is what I would

like to understand more about. If there really wasn't a necessity for this space, then consideration has to be given as to how a decision like that is arrived at.

The Chair: It might be a good information-gathering session, if members wish to do that, depending on what happens over the next week or so, but I'm going to leave that in the hands of the members.

We have one other small matter before we go, the report of the subcommittee on the Canadian Council of Public Accounts Committees conference.

"The subcommittee on the Canadian Council of Public Accounts Committees conference met on Thursday, November 5, 1992, and discussed matters relating to the conference to be held in 1993.

"It was agreed that the conference will start on Sunday, July 4, 1993, in the evening and will end at noon on Wednesday, July 7, 1993.

"It was agreed that the conference will be held in conjunction with the Canadian Office of Legislative Auditors.

"It was agreed that accommodation will be in downtown Toronto.

"It was agreed that the clerk will investigate using room 151"—this room—"for some"—or all—"sessions."

Can I have a motion to accept the subcommittee's report moved by Mr Duignan? All in favour? Carried.

Thank you. We'll see you next week.

The committee adjourned at 1156.

CONTENTS

Thursday 19 November 1992

Review of special audit on Toronto General Division of the Toronto Hospital	P-153
Toronto Hospital	P-153
Fraser M. Fell, chairman, board of trustees	
Dr Alan Hudson, president and chief executive officer	
Denise Arsenault, chief financial officer	
Committee business	P-167

STANDING COMMITTEE ON PUBLIC ACCOUNTS

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- *Cousens, W. Donald (Markham PC)
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- *O'Connor, Larry (Durham-York ND)
 - Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

Substitutions / Membres remplaçants:

- *Wessenger, Paul (Simcoe Centre ND) for Ms Haeck

*In attendance / présents

Also taking part / Autres participants et participantes:

Mischenko, Nick, director, special assignments branch, Office of Provincial Auditor
Otterman, Jim, Assistant Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



P-15

P-15

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Legislative Assembly of Ontario

Second session, 35th Parliament

Official Report of Debates (Hansard)

Thursday 26 November 1992

Standing committee on public accounts

Task Force on University
Accountability

Committee business

Assemblée législative de l'Ontario

Deuxième session, 35^e législature

Journal des débats (Hansard)

Jeudi 26 novembre 1992

Comité permanent des comptes publics

Groupe de travail sur l'obligation
redditionnelle des universités

Travaux de comité



Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 26 November 1992

The committee met at 1007 in room 151.

TASK FORCE ON UNIVERSITY ACCOUNTABILITY

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. This morning we have with the committee the Task Force on University Accountability. Task force members are here today to consult with the committee in regard to the report the committee worked on last year; I believe the report was tabled in June 1991, if I'm correct. If members happen to have that with them, on pages 65 and 66 of the report there was a section entitled "Inspection Audits of Universities," and items 9 to 19 dealt with recommendations considered useful by the committee at the time.

We also have a letter dated September 30, 1991, from the Deputy Minister of Colleges and Universities, Bernard J. Shapiro. Mr Shapiro, on behalf of the ministry, outlines some views as expressed by the ministry.

This is an ongoing process the committee has undertaken to see if it is necessary to have greater accountability.

We're pleased this morning to have the task force with us. We have Mr William H. Broadhurst, chair of the task force. Sir, I want to welcome you and ask you to introduce your guests, and I'll turn the floor over to you.

Mr William H. Broadhurst: We want to thank you for providing time for the Task Force on University Accountability this morning. I'm going to ask the members present to introduce themselves, to identify the nominating constituency to the task force and then to tell you what they do when they work for a living.

I'll start off. My name is Bill Broadhurst. I was nominated to the task force by the Ontario Council on University Affairs. I recently retired as chairman and senior partner of Price Waterhouse in Canada.

Mr Richard Stackhouse: I'm Richard Stackhouse, chairman of the board of Queen's University, and on the task force representing the Council of Chairmen of Ontario Universities. I too am a retired partner of Price Waterhouse. I used to work for the fellow and I still do.

Dr Dan Lang: I'm Dan Lang. I'm the assistant vice-president for planning and registrar at the University of Toronto, and I'm the chair of the Council of Ontario Universities committee on accountability.

Mr Broadhurst: Would it be all right if we go through the others who are with us? I think it would be useful to identify them for you. We also have with us, from the task force itself, Mr Robert Stephenson, who I believe appeared before this committee in your hearings with another hat on, that of chair of Trent University, and Mr Rob Centa of the Ontario Federation of Students. The other representatives are related to our assistance from the ministry and COU in the sense of staff support.

First of all, I would like to give you a little bit of background about this task force, most of which is already known to your committee. The standing committee on public accounts reported in July 1991, as you've already mentioned, on a number of matters, including its review of the 1988, 1989 and 1990 annual reports of the Provincial Auditor as they pertained to his inspection audits at Trent University, the University of Guelph and the University of Toronto respectively.

The setting up of our task force was a direct result of the recommendations on accountability in your report. The task force was announced by the minister in September 1991 and held its first meeting in November of last year. Included in our terms of reference was a requirement for a progress report by June 1992.

The task force, in late June of this year, issued a combined Progress Report and Issues Paper to both meet the progress report requirements of our terms of reference and to serve as an issues paper to facilitate consultation on the subject of university accountability. The progress report contains the terms of reference of the task force, and the members are also listed in the appendix.

I would briefly like to note that the membership was composed of individuals nominated to the ministry by a number of organizations. I'd just like to mention the organizations represented, which appear on page 51: the Council of Ontario Universities, the Council of Chairmen of Universities, the Ontario Council on University Affairs, the Ontario Confederation of University Faculty Associations, the Confederation of Ontario University Staff Associations, the Ontario Federation of Students, the Ontario Graduate Association and the Ministry of Colleges and Universities. The names of the individuals filling those positions are noted on page 54 of the report.

Early in our deliberations we were instructed by the minister to study the problem at the institutional level, not at the system level. This matter is clarified in the letter I wrote to the minister under date of January 23, 1992, which appears on pages 52 and 53 of our progress report.

There is one statement I would like to read from your report of July 1991 which very well captures the problem we face. I quote from page 37 of the document you referred to earlier:

"At issue in this report is the traditional autonomy of the university community and the need in the 1990s for administrative accountability for government transfer payment funding. According to the ministry, 'by acts of the Legislature, universities of Ontario are autonomous institutions.' This autonomy gives them the authority to control academic programs and administrative functions."

Our task force is trying to resolve this issue. How are we going to be able to increase the level of accountability

to all stakeholders while at the same time recognizing the autonomous nature of our universities?

Starting in early September of this year, representatives of the task force visited each of the universities in Ontario and listened to anyone who cared to discuss with us or comment on the issues paper. We also had separate meetings with the Council of Chairmen of Ontario Universities, the Council of Ontario Universities, the Confederation of University Staff Associations, the Ontario Confederation of University Faculty Associations and the Ontario Federation of Students.

Essentially, we are trying to implement your recommendation 10, which states in part that, "The Ministry of Colleges and Universities, in consultation with the universities, shall develop administrative guidelines for an enhanced management accountability mechanism, based on the principles of economy, efficiency and standards/procedures to measure effectiveness in universities."

I should note that we have also focused our attention on recommendation 9 in your report, which suggested that the Audit Act be amended to provide the Provincial Auditor with the discretionary authority to perform value-for-money audits on transfer payment recipients, including universities. In the case of universities, this value-for-money audit approach was to help address the management accountability of each university's administration while "at the same time respecting the academic autonomy of these institutions."

In our consultations and discussions across the province throughout the last three months, the view has been strongly expressed by each university that we should move forward to the implementation of your recommendation 10 instead of, and not in addition to, your recommendation 9.

Also, I would mention that in our hearings across the province we have received little evidence of any general dissatisfaction with our university system. However, we did not have the budget to conduct any formal survey on this matter. I would note, however, that Maclean's magazine did survey 500 students across the country who indicated a reasonably high level of satisfaction with their education.

In our issues paper we are suggesting that the governing boards be the main vehicles of accountability. The boards, because of their membership, can be viewed as the interface between the stakeholders and the institution itself. The board is clearly the primary agent of institutional accountability. Boards must be appropriately representative of the external community. I know you are aware of the separate initiative of the ministry arriving out of the Stephen Lewis which recommended that "we examine carefully the representative nature of boards which govern both colleges and universities so that they reflect the changed society of Ontario." The task force will also be commenting on that matter.

We are examining the duties of boards and ways of improving their effectiveness, keeping in mind that they consist of unpaid volunteers. Our issues paper also suggests that the activities of boards should be monitored by an outside agency, and this has been an important matter in our consultation.

Some have described the proposals we put in the issues paper for discussion purposes as a form of monitored self-regulation.

We are just at the point of completing our consultation process and must now consider our final recommendations.

I hope you had an opportunity to peruse our issues paper. What we would like to do in the time available this morning is have your comments on the issues we have raised and try to answer any questions you have about the task force.

I would emphasize that the task force still has to deliberate and formulate its final recommendations, and your comments will be most useful to us in this regard.

The Chair: Thank you. Does anyone else want to make some comments before we get into questions and answers?

Mr Broadhurst: It's over to you, sir, and your committee.

Mr David Tilson (Dufferin-Peel): I guess the oversimplification issue, which at least from my perspective is that if a government such as the province of Ontario is providing funding to a university—let me start again.

The question, of course, that you have asked and that we're all asking is how can a university maintain its autonomy? The difficulty I have—I happen to be a member of the opposition, but as a member of this Legislature—is that a provincial government must in turn be accountable to the taxpayers, who are paying substantial amounts of funding to universities.

Therefore, I guess one asks the question, how much should a government know as to the financial operation of a university, in whatever capacity? Once a university asks for public funding, then by doing that, is it not losing some of its autonomy? I don't see how you can avoid that.

Mr Broadhurst: I think my answer to that would start with the boards themselves and the changes that are likely to occur in the composition of boards as a result of the specific examination of that question. In other words, I think you will find that in the next few years, and starting fairly soon, the boards will become more representative of the publics they serve, obviously including the taxpayers of Ontario. We see that the board will have a prime responsibility to police the accountability for the transfer payment and all the other funding, the substantial research grants.

We see that there is a monitoring required, and that gets to your point. We suggest, though, that the monitoring agency follow some of the other principles that relate to the government and the university system and be related to the buffer body, the Ontario Council of University Affairs. But we see the necessity for the procedures being followed by each board in its accountability to be monitored on a cyclical basis by a group from outside that board, but a group related to the Ontario Council of University Affairs. We have not yet fully developed that recommendation, but that's why I mentioned that we see the monitoring as an important element.

1020

Another way of doing it, of course, would be to have some monitoring conducted by the Provincial Auditor. We see that if it is the wish of this committee, and it was expressed in your resolution to maintain the autonomous nature of universities, it would be better to have the monitoring done by a body related to the buffer group.

Mr Tilson: The difficulty, and the real crunch of it, is that if a university is asking a provincial government for funding of any sort, taxpayers' money, then I believe that provincial governments should be entitled to know what that money is going to be used for, and I therefore question what else the government is entitled to know.

For example, the university could divert its funding from other sources, private sources, foundations, whatever, to other funding and say, "Well, that's none of your business," but the difficulty is when you're looking at the overall package as to how a university is being run.

I think it would be a terrible thing if the government started coming in and telling a university how to run its business. Don't misunderstand me. I'm simply asking that initial premise that when a university is asking for substantial funding from a government, then surely the Provincial Auditor should be entitled to look at all operations of the university, because that funding may directly and indirectly affect the quantum of the grants, the quantum of the funding, what the funding is going to be used for, all those issues.

I know you start talking about boards, and that terrifies me, particularly when this latest government initiative starts talking about quota systems and all kinds of other things that I don't understand, quite frankly. I don't understand the rationale behind all that. You talk about interference of government. I don't want to get into that or you'll get me upset. Let's talk about the Provincial Auditor: How much should the Provincial Auditor look at when looking at the funding of a university?

Mr Broadhurst: During the consultation process, we didn't detect any opposition to the Provincial Auditor doing inspection or financial audits through the various components of the university. What we did detect was some real concern about trying to judge, through the Office of the Provincial Auditor, the efficiency of the academic process and the effectiveness of the academic process. So my comments related to the Provincial Auditor relate to the value-for-money concept, which is efficiency and effectiveness. How that can be brought to bear without being brought to bear on the academic process is what we are really debating among ourselves.

But as I say, there's no question about the Provincial Auditor even perhaps having expanded powers to go into the various funds at a university other than the operating grants, which is a point that you have raised in your report. We're really talking value-for-money audit, not inspection audits or what I would call normal financial audits.

Mr Tilson: I think Mr Cousens has a question.

The Chair: Mr Cousens, and then we'll move to the government for an uninterrupted 20 minutes.

Mr W. Donald Cousens (Markham): Philosophy is one thing, practical reality is another. When the auditor was making his assessment of, certainly, the University of Toronto, it raised a lot of questions. There was heavy reluctance on the part of that particular university to cooperate and to bring forward data that I think should be brought in.

I'm with David philosophically, but I'm really concerned that the universities have had such free rein with taxpayers' money, where they can go and divert funds from provincial treasuries to specialized programs, and I had the sense that this was happening with the University of Toronto. I may be wrong, but there was no way of knowing what was happening, because it was such a well-protected and—I want to use careful words here, because it is an open meeting—but it was almost impossible to get an accurate audit of what was going on within that institution.

As an outside agency, maybe there should be some way, if we're going to talk about an institution being accountable unto itself, that there would be a set of guidelines that require it to at least be totally forthcoming to its existing board members, because I had a sense that even the board members on that university may not have known all that was hidden within the different sets of books.

Mr Broadhurst: In our open hearing with the University of Toronto, this point of access and the transfer of funds from one fund to another within the university itself did come up. I will ask Dr Lang to say a word on this, because that is his university, but my understanding of what the president of the University of Toronto said at that time was that if the legislation provided for it, he would be quite happy to make all the funds available to the Provincial Auditor.

I'm not a lawyer, but as I understand, the concern he had expressed or they had expressed was related to what is authorized by an act at the present time and what was required, but I don't detect that there was any opposition to expanding the authority to look at the various funds within the university so that if money is transferred from one to the other, you're looking at both sides of it, the exit of the money from one fund and its entry into another and what happens to it in the other fund, be it a capital fund or an endowment fund or any other special fund they may have.

Mr Tilson: Including all funds, foundation funds—

Mr Broadhurst: That was my understanding of the answer, and we're talking now of financial audits, to see that the moneys are being spent in accordance with authorities and this type of thing. Dan?

Dr Lang: That's entirely correct. That is, it was our view—it was the view of Trent and Guelph as well—that the Provincial Auditor was asking for information which the existing act didn't give him access to. If the act were changed to include the sorts of concerns you're speaking about, the University of Toronto has been on record from the start as saying that we would be glad to comply with it.

As far as what the governing council of the University of Toronto has received, I believe that the task force has gotten a report from the council, quite extensively, which

shows that all the funds are reported to the governing council fully and have been for some time.

Mr Cousens: That's good. I guess when you're sitting where we are and not having the full picture—and maybe the law today as it is reflected in the relationship between universities and the province of Ontario hasn't kept pace with the changing demands for public access to information.

I mean, we've seen this happen now with pretty well every form of government, and when the auditor made his inquiries, at the University of Toronto in particular, which is my alma mater as well, I was hurt and offended that in fact the reluctance on the part of the university was so strong. "Wait for the law to be changed."

You know and I know that it takes years for any law to be changed, especially as it deals with a matter such as this. It takes a long, long time. Yet society is changing, the demands are changing, and what I have sensed coming back, and even in the presentation this morning, is a certain amount of: "Okay, we'll be legalistic. We'll hold the line. We'll do it if we have to and when we're told to."

I have two or three thoughts that come out of this one, and one has to do with, as this task force is coming up, I would hope you come forward with some very far-reaching recommendations that show how there can be fuller public accountability on the funding processes, so that if you're forthcoming in how that's going to be, it wouldn't be necessary for guys like me in the Ontario Legislature to legislate it, and if you would show a sense of goodwill, good faith and openness, which I personally have not seen and do not like.

At some point in the future, I would certainly be watching the universities and would say—I have two kids in university right now. I want them to get the best education possible. But I have genuine and deep concerns that moneys that are going to the universities may not be spent where they should be and that in fact they may be richer than they say they are and that the public isn't being totally served by the processes in place.

Maybe you could comment on better accountability at the universities and your recommendations that would lead to that so that guys like me will go to bed and concentrate on dumps over in Markham and Pickering and stuff.

1030

Mr Tilson: That's where the action is.

Mr Cousens: I look for garbage anywhere.

Mr Broadhurst: Just one further comment on Mr Tilson's question. Your recommendation 18—we just touched on this—says, "The minister shall require that universities submit a detailed report to the ministry on the use of government funds transferred to a restricted fund."

Then it says, "Amendments to the Audit Act shall permit the Provincial Auditor to have access to restricted accounts," and adds these words, "through value-for-money audits." Those words aren't necessary. If you stopped at "restricted accounts" I think you would achieve a fair amount of what you've been talking about. As I say, in the hearings I didn't detect any problems if it stopped there.

On the question that Mr Cousens has raised, that is precisely the focus of this exercise, to try to see what we could do to have more visible accountability, and we use the word "transparent" and these kinds of things. That's what we're going to be considering in detail over the next two or three months, moving to our final report.

Mr Tilson: Do we have any more time?

The Chair: You have almost nine minutes, Mr Tilson, and the government gets 20 minutes.

Mr Tilson: The issue of value for money, of course—I put those words in; I can see you're concerned about that because that does affect your autonomy. Mr Cousens's remarks are quite proper, particularly when we all know this new Audit Act—I mean, I've been sitting in this place for over two years and during that time we've been talking about this new Audit Act and that's all I've ever seen of it. It'll probably be another two years before it even reaches the floor of the House. Therefore Mr Cousens's comments are quite valid.

As well, I believe I would like to hear your thoughts, a further elaboration in response to Mr Cousens's questions, because we're now getting to the whole issue of whether or not you have any aversion to the issue of value-for-money audits.

Mr Broadhurst: I think one of my problems—I can't speak for the task force at the moment, but one of my problems, and I was an auditor all my life, for 40 years—is understanding how an institution, either the institution itself or an auditor coming into the institution, would measure the effectiveness of an education exercise.

There are suggestions as to things that might be done. For example, we're studying carefully the report that Stuart Smith made. It was a Commission of Inquiry on Canadian University Education. He has some recommendations in there related to the possible use of certain performance indicators as guides to this. We are looking at those. We are looking at the performance indicators used in the Maclean's survey. Dr Lang is heading up a subcommittee for the task force looking at the issue of performance indicators in general to see if there are some of these that could be used in dealing with this issue of how effective this operation is and how efficient it is.

As you can appreciate, these become highly subjective matters and matters that aren't well defined in the literature and there's a lot of study of this subject going on. We've only looked at the Anglo-Saxon jurisdictions: United Kingdom, United States and Australia. There are mountains of literature on this subject but not too many definitive answers where people feel they've really got the answer. I'm not sure we'll come up with the answer either, but we hope we'll come up with something that's improved over what's presently available.

Mr Tilson: Mr Broadhurst, I wasn't present for the hearings of this committee when this subject was discussed, but I did attend one or two of them towards the end and one of the examples that sticks out in my mind was the example of where funding could be used, for example, for research or particular professors developing something in research, as opposed to using that funding for the general education

of students. That whole issue, which does get into the subject of what the real autonomy of the university is—the university may say, “Yes, we want this particular area developed. We need research on this subject,” whereas the Provincial Auditor may come in and say no. It’s going to get worse. Already the latest announcement of no more grants for students, to just make it a little harder for people to achieve a university education—there are all kinds of outside factors that create concerns like that.

I guess that was one question that was raised, and I understand the dilemma, which gets back to my very first question: Once an institution such as a university asks for public funding, it may have to give up some, if not substantial, autonomy. I think the taxpayer is entitled to believe that this funding is going in the proper direction as the government sees fit. Otherwise, if the university wants that complete autonomy—I give that simple example—then does it have a right to ask for taxpayers’ funding?

Mr Broadhurst: I think the view has been expressed to us from a number of sources that, really, it is important for the university to be more accountable in order to protect that autonomy; that if they aren’t more accountable themselves, then the issue of losing some of that autonomy is right on the table. The impetus to this exercise will then be to become more accountable themselves.

Mr Tilson: The last thing I want are these people to come in and start telling you how to run a university, and I understand that, but there is a concern. Mr Cousens, I think, has a comment.

Mr Cousens: I’m looking at the announcement of your task force on November 28, 1991, and I see the terms of reference you have as a task force. Could I get some feedback from you as to your willingness or the degree to which you would be prepared to sit down with Mr Otterman, or the new Provincial Auditor, to see how the issues that came through our discussions could be addressed in your report so that you’re not doing it in isolation of the thinking and the thoughts that we went through in coming up with our recommendations?

Mr Broadhurst: Mr Cousens, one of the first things we did when we got ourselves organized was arrange for and hold a meeting with Mr Otterman and the members of his staff who had been involved in one or more of their inspection audits of the three universities, and most of the task force members were able to be present.

We spent an afternoon with Mr Otterman discussing these issues, much as we’re just discussing now, and he told us some of the things that he had seen that he thought were working well and some of the things that weren’t working well. For example, he referred to the review of graduate programs. There is a formal review of graduate programs going on. He had attended a session about those, and he said if there was something similar to that on undergraduate programs, it would help him feel better. So we did have a good dialogue with Mr Otterman on this subject, and it was most helpful to us.

Mr Cousens: Could I ask if there is any way, when you’re coming through and you reach your final recommendations—I guess there are two ways it can be done. It

could be done if you would follow through on my suggestion of accountability by the universities themselves; and, if before you come through with your final recommendations you have another opportunity to review your findings with the auditor just to see that you’ve got the sharpness that maybe some of us in the Legislature are looking for, that will relieve an awful lot of my concerns, if I can come back to the Provincial Auditor and have a sense that he is satisfied that the university is going to be doing a self-review of these matters.

Mr Broadhurst: Mr Cousens, we’ll certainly take that recommendation back to the next meeting of the task force, which is just a couple of weeks from now. It’s a matter that we’ll have to think seriously about.

The Chair: Okay, thank you. We have a long list. Mr O’Connor.

1040

Mr Larry O’Connor (Durham-York): Thank you for coming here and sharing your preliminary findings with this committee. I know, when we sat through the committee hearings a year ago prior to making our recommendations, there was discussion that was taken very seriously by all sides of this committee room and was about as non-partisan as I’ve seen anything, and have yet to see again, as far as a committee approach to things.

One of the areas that I know we had a great deal of discussion about was the value for money, and we can recognize the wishes of the universities for their autonomy, that they’d like to keep that as much as possible within themselves. So I guess it then takes a look at the need for perhaps changes to the board representation. Were there any recommendations as you travelled, putting together your information and talking to folks at the universities, a concern about changes to the boards? Were there any suggestions as to how it could possibly be made more representative of the community in which they serve, both physically and academically?

Mr Broadhurst: Mr O’Connor, as you may know, the ministry has had an ongoing process over, I think, maybe two years obtaining information about the composition of boards and looking at them, and when the Stephen Lewis report came forward in May or June of this year, that initiative was put on a higher priority. So in the middle of October the ministry distributed to all those interested in the system a memo suggesting some guidelines on this subject that you’ve just raised, that he would like feedback from the universities on by about the middle of December.

Now, we had originally intended to have that kind of thing in our task force report also. But what we are doing as a task force is commenting on that one specific question, the composition of boards, by the same deadline in December, by letter. We’ll be sending the minister a letter from the task force, just as all the universities will be sending letters, on his recommendations.

We do see some changes in the representative nature of the boards being appropriate, and I hesitate to go much farther because we’ve been looking at this as recently as yesterday. So it’s an ongoing process of preparing our

letter to the minister in answer to his request, but I do see changes in the official composition of boards.

Mr O'Connor: In going through your report, on page 23, the university community, you talk about some of the difficulties and decisions around deficit financing, salary levels, size of facilities, support staff etc. I know that during our discussion there a year ago that was one of the issues we had talked about, I guess, with the universities that the Provincial Auditor did take a look at. There were some points that certainly raised the eyebrows of the committee around some of the administration and the cost of the administration.

I just wondered if, through your discussions, it was pointed out that there needed to be any more or less openness in the approach taken as far as disclosure of some of the remuneration at the upper levels, or the benefits. I'm trying to be careful on how I word this because I don't want to upset anybody, but I know that was part of the discussion that we did have at that time.

Mr Broadhurst: There was certainly discussion, and the issue was put forward by many people for the provision of more information. But I think they also realized that it had to be meaningful information. You can put out so much information that people don't understand it. So our approach is to try to suggest that the information be put out, be understandable and mean something to people; that rather than quantity, it be quality.

On the other issue you've mentioned, we haven't heard any significant amount of concern being expressed about full disclosure, for example, in a Securities and Exchange Commission mode about executive salaries, of that nature. That is not what I heard, and I was at each of the universities myself. That was not an issue that was presented to us as a major issue.

Mr O'Connor: It was something that was pointed out to us by the auditor at the time.

I guess the final thing that I'd like to touch on would be the funds and assets that are purchased through some of the foundations and funds. I know that universities do have a remarkable ability to raise funds, and so they should, so that they can continue to offer new programs and programs that are going to be as current as possible. Then the assets purchased through some of the funds raised—and we got into the whole discussion around dollars transferred from capital transfers from the province and how some of that interlinked, yet we couldn't see any defined way of actually showing where the dollars had gone and not gone, recognizing of course that the universities do have the autonomy.

Mr Broadhurst: That is not unlike a question, I think, that Mr Tilson was raising. As I said, we didn't detect any people who were concerned about the Audit Act being amended to provide that the Provincial Auditor could do financial audits—I call them financial audits—on all the funds within a university so that if money was transferred from one fund to another you could see it moving and you could see what happened to it. The concern was expressed if it got into this concept of trying to deal with the efficiency of the academic exercise in the course of that,

because no one is precisely sure how you measure that properly, it's so highly subjective. That is the dilemma that I mentioned right from the beginning and we're spending most of our time on.

The Chair: We were just having a brief discussion here, because this matter of value-for-money audits keeps coming up and I keep hearing that it's not a problem to have audits but that you don't want a value-for-money audit. I know that since 1978 value-for-money audits on the whole array of programs administered by the province of Ontario have been done. This is done at the national level and in other legislatures. A lot of money goes to colleges and universities. That's why the committee is so concerned. We're going to have to deal with that important matter, value-for-money audits.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): It's kind of difficult to ask, as many of the questions or concerns that we are concerned about have been raised already, and I don't want to be repetitious or redundant, but is there a common concern from the people you've talked to so far—the boards of governors, for example? Is there any common concern with regard to, as the Chair has said, the value-for-money audit and how that will affect the administration? I guess it affects the administration in some ways and programs to some degree. Again, I know that this tends to get somewhat repetitious, but I was just wondering if we could focus on a common concern that you may have heard.

Mr Broadhurst: We did meet, in the course of our visits to each institution, with each president and, with two exceptions, with each board chairman—in those cases we met with vice-chairmen—and I think there was virtually unanimous concern about the value-for-money audit in the context of the university and its autonomy in its academic exercise.

There was, though, substantial agreement that accountability was a review that had to be made and had to be taken seriously, as I said earlier, to protect the autonomy. If the institutions were not seen as being properly accountable, then it wouldn't take long before they would lose a measure of this autonomy. In order to protect that, they would have to be more visibly accountable. These are the issues we are trying to deal with in a way that, as I said earlier, is monitored through the boards themselves. After all, a large percentage of the board are members of the public; with two exceptions, every board has a substantial majority of people from outside the institution. I think that will continue to be the case. It has to be the case, as far as I can see.

There is a large measure of public input into the board. If they become more representative, then it should be even more appropriate for that board to be asking these questions, and that's what we're suggesting. We're not suggesting that the answers will be easy, but we think there can be some improvements and we're trying to examine the areas where we can be helpful to the boards in achieving that. Maybe after a cycle of whatever we come up with—and Mr Cousens's suggestion about talking to the Provincial Auditor along the way I think is a good one—the Provincial Auditor can then

express his views as to what he is now seeing and whether there have been improvements and this kind of thing.

It's fear of the unknown and the fact that there don't seem to be good measures of this economy and efficiency in effect in the teaching exercise in universities anywhere.

1050

Mr Johnson: Wouldn't a comprehensive value-for-money audit indicate to a particular university some indication of how that particular audit would view its programs, and wouldn't that be a vehicle for the university to respond to why these programs are important, in spite of how it may be viewed as a result of a value-for-money audit?

Mr Broadhurst: It seemed to us, and it was referred to in some of the testimony before this committee by the now deputy minister in February of last year, that for a Provincial Auditor to move into this area he would in fact probably have to retain expert advice, and his expert advice would have to come from the academic field to begin to look at this. Given the autonomy and the general agreement that that's an important element, and I feel it is, wouldn't it be better to let the institutions themselves take a shot at this first? Because it's going to have to have a heavy input of academics regardless of how you do it.

As I said earlier, I've been an accountant and auditor all my life. I wouldn't want to try to tackle this without expert advice and assistance from people right in the field. So we're really suggesting here that it's the institutions themselves that can tackle this in the first round and then see what that produces.

Dr Lang would like to have a word.

Dr Lang: I think there are three different concepts being interfolded here—one is the word "comprehensive"; then there's "value for money," which is really a process, a concept; and then there's the question of who does it, whether the Provincial Auditor—as you take the report you're dealing with. I think each of those has to be addressed separately.

I would say that the concept of value-for-money audit certainly is the case at the university I work for, and now that we've travelled around the province I think one could safely say for all universities that it is not something anyone has any particular problem with. In fact, many universities would argue that in one way or another, given the financial difficulties we're all in, they've been having to do it in any event.

Then you move to the word "comprehensive" which connotes, I think, broad standards, that is to say, how the value of a particular program at university A would be construed to be the same as the value at university B and C and E and F and so on. I think that's actually a much more complicated and serious part of the question than value for money per se. We know, for example, from having travelled about, that what you might think are very simple concepts that must mean the same thing everywhere really do not.

One talks about accountability to the public. Well, the public, say, of Laurentian University and what might be value there in terms of value for money is really, we now know, quite different from, say, the University of Toronto.

Or even at the University of Toronto—Dr Frankford's from Scarborough—I think the expectations of most of the parents and students who go to Scarborough College are probably quite different from the comparable expectations at the St George campus or at Erindale. I live in Scarborough myself. I don't think most people in Scarborough want Scarborough College to be just like the St George campus. In fact, if it were just like it they'd say, "Why don't we all go downtown and not have a Scarborough campus?"

I think public accountability is not well served by the word "comprehensive" if it means that value for money is going to be construed the same way for every program at every institution in the province. I think all of you should worry as much about the word "comprehensive" as one worries about the concept of value for money.

To come to the question of who does it, I think Bill Broadhurst has expressed it extraordinarily well. Value, when you get right down to the sorts of accountability that the committee is speaking about, which I personally agree with, you're not really talking about institutions; you're talking about particular programs at institutions. The approach one would take, let's say, to applying the value-for-money concept to a faculty of nursing is entirely different from the way you'd deal with it for a faculty of education or a faculty of engineering and so on and so on. And then multiply that times 15 institutions.

A reliable application of the value-for-money audit—by "reliable" I mean it produces results that somebody's going to find credible and useful—will necessarily require a great deal of local expertise. By "local," I'm not necessarily saying you'd confine it to a particular university. In fact, one thing our task force generally believes in is that a lot of these reviews should be conducted predominantly by external persons, and we talk about the membership of the board having external majority, but we're still talking about people with some kind of knowledge, direct expertise, in the scholastic enterprise. With all due respect, you don't normally think of accountants as being the persons on whom you would rely for that type of expertise.

That's why I'm saying that I think you've got to look at the anatomy of the whole question, not just one part of it, to ensure accountability, which we're all for.

Mr Johnson: If a value-for-money audit could be applied consistently from university to university—I'm not saying that's possible, and in fact I suspect it probably isn't when it gets into dealing with programs—wouldn't it, however, allow an opportunity for comparison between universities?

Dr Lang: If I can take a moment, if the Chair doesn't mind, the practical answer is yes, but I think the larger question in terms of the accountability of the university system is that you'd get a sort of ersatz measure of quality.

For example, when we were at Laurentian, we were told that a great emphasis there was placed on admitting students from the local area, regardless of their academic qualifications. A pretty standard measure, I think, that probably anybody would begin to look at in doing an accountability audit would be to ask, "What's the entering grade average of all of your students?" On the one hand, if

you compared it right across the system, you'd say: "Something's wrong here. Look at the entering average of Laurentian's students. It's lower than the average for the system at large." The answer to that, of course, is that they've made a commitment to their local community that says that every qualified student who applies from north-eastern Ontario ought to get a place.

That's a good thing, too, just like a high average is a good thing, so I think you need some way to punch through the sort of system-average concept of accountability so that the objectives, some of which are very virtuous, and I would think quite valuable to local communities, can be seen. If you get too comprehensive about it, you wouldn't see that. What I think to the people of the Sudbury region is a good thing would to a comprehensive audit look like a bad thing.

The Chair: Thank you very much. Two minutes, Dr Frankford.

Mr Robert Frankford (Scarborough East): You threw in Scarborough, so perhaps I should—with the time given, I can only throw out a few thoughts. I don't believe that the Scarborough College is there to purely serve Scarborough; I believe it's part of a wider provincial system. It's certainly part of the University of Toronto and it's also part of the whole provincial system. One would hope that Scarborough is a good college that fulfils its functions in the same way that Scarborough Centenary Hospital fulfils a good health function and can account for itself, but no one would say that it's failing because it's not Toronto General Hospital.

I think there is a real challenge in assessing what you're producing in both, let's say, the hospital sector and the university sector, but I think it's not impossible, and I think it's a very interesting challenge.

I am reminded that we were interviewing candidates for the Provincial Auditor's position earlier in the summer, and at least one of the applicants said that he would like to have specialists within the Provincial Auditor's office who had ability to look at—he mentioned the health area, but I could see the same need for education: university and primary and secondary. Perhaps I'll just let you respond, because there isn't time to go into details on what really could be a very interesting discussion.

Dr Lang: There are perhaps two parts to what Dr Frankford is saying. I think one is a matter of cost; that is, all of that expertise is going to cost something, and to the extent that you spend more money on that, you're necessarily spending less money on something else. I suppose this will sound facetious but I don't mean it that way at all. What happens when you apply the value-for-money concept to value-for-money auditing? What really is the value added of an investment of resources in that particular methodology of holding accountable, whether it's hospitals or schools or colleges or universities? That's an important and very legitimate question.

1100

I don't know what the response was of the committee that was interviewing that person who wanted to be the Provincial Auditor, but I would have thought a corollary

question would be, "How much do you think it's going to cost?" What's the pricetag for that type of expertise? Then you compare that pricetag to what value you think would be derived from it.

I think the second point—and I think this is a question our task force is dealing with, and it's mentioned in the interim report—is that it's not as if that sort of expertise doesn't exist at all at various levels of government. It does. In our interim report, for example, there's a suggestion that the Ontario Council on University Affairs might perform the role of what the task force has taken to call the "independent monitoring agency." That's been a topic of considerable debate as the task force has moved around the province. If the expertise is there, what rationale would one have for investing in a comparable expertise in another branch of government? There's expertise in the Ministry of Colleges and Universities.

I think Dr Frankford's point is an excellent one with respect to the fact that you need the expertise to make it work. I don't know that there should be an automatic answer that you get back to the Office of the Provincial Auditor.

Mr Joseph Cordiano (Lawrence): What I have to say is probably more in the form of a comment than a question. You may wish to respond, but since we're running out of time I'm going to try to be brief.

When it comes to value-for-money auditing or the efforts of legislators to deal with or come to grips with questions around accountability, and not just accountability but measuring, I think this is a debate which is going to be ongoing in our society with respect to all of our institutions, particularly looking back to the taxpayer, understanding that people in our society are beginning to ask some real tough questions about a lot of things, beginning to wonder why we can't have measurements for a variety of things so that people can better understand or so that we can facilitate their understanding of what takes place in our institutions. When you look at the legal justice system, the view there by the people who run it sometimes is that there really isn't a way to measure how far we go in some of these cases. It could last for ever. The costs could amount to enormous sums.

What we're trying to say is that there is a way to be somewhat more accountable and there is a way to have some finite definition to what we do, and I think the same could be said in a variety of areas. It really comes down to a philosophical approach. If you do believe that there has to be some way of measuring what our outputs are against what preconceived expectations might be, then there has to be some way to formulate that.

I'm not suggesting that you've come here today and not understood that or aren't prepared to move in that direction, but I think we all realize we have to start doing things, because the pressures on us are much greater; we have fewer resources, and therefore, by very human nature, we come back to trying to measure results against what our expectations might have been and against what resources we have.

That's the simple logic, and for us it's quite a challenge to be able to do that in taking account of some of the

things you've expressed. I wasn't here for the whole morning, but the fact that some of these things are qualitative and cannot be quantified—I think there are ways to come up with standards over a period of time, and it can't be done overnight. We may have quite a challenge in front of us, but I think it's this committee's efforts—at least if I may speak for myself—that would like to see us move in that direction.

Value-for-money auditing isn't completely defined yet, and perhaps in this area it needs to be defined. As we move along, it will evolve into more defined kinds of standards which will be more acceptable to more people. After all, if it's not acceptable to the people who are using the system and managing the system, then we're never going to have the kind of cooperation which is required to get at the very kinds of things we're trying to do here.

Mr Broadhurst: Just one last comment on that. The task force is really trying to implement that in accordance with your recommendation number 10. In other words, we're not suggesting there don't need to be accountable mechanisms developed relating to economy and efficiency. We're really saying they should be developed within the institution, under the authority of the board, through the administration of that institution as opposed to being developed in some other way. We're really saying we think there should be a period of time to see if that can be done that way, and we think it can be done as well that way as the other way. But we're definitely in the same area you are in about improving the accountability for the reasons you mentioned.

Mr Cordiano: Yes, but I think we also have to have a legitimate, and I think it's quite legitimate, way of ascertaining or assessing that system which is meaningful to all. It can't be in isolation.

Mr Broadhurst: We also have in our issues paper that we're discussing this monitoring process, which in effect would presently be done perhaps under the Ontario Council on University Affairs, which is working within the ministry or under the Ministry of Colleges and Universities, so that would be the vehicle.

There would be a monitoring—we also agree there must be a monitoring—but it would be more in the nature of a peer review self-monitoring of people in the system itself, not monitoring their own university but working through OCUA with academic expertise, looking at what others are doing, maybe even bringing the odd person in from outside the province to look at these. We do agree with the monitoring concept; we just have it envisaged in a different way.

Mr Cordiano: I think there is a role, and I think it's very important that we have you interface with the institution of governments, that is, either through the auditor or the Ministry of Colleges and Universities, that we establish the kind of interface which would enable us to easily look at and assess what you've done in a way that's meaningful and digestible so that the public has that opportunity through this vehicle. That's all I'm trying to say. How we establish that is open to, I think, suggestion and open to

working around a variety of things that you might put forward.

The Chair: Any further comments or questions by members of the committee? We have a little time left over. Did Mr Callahan have something? Mr Cousens?

Mr Cousens: At some point I have a motion that I could put on the table.

The Chair: Okay, we'll get to that motion as quickly as we can. We have time for questions. Mr O'Connor?

Mr O'Connor: I'd just like to go back, if we could, because when we first started looking at the Provincial Auditor's report, one of the things that was of concern was the whole administration cost and trying to see if there was a way we could have some accountability in the way some of those practices are carried out. I just wonder if maybe you could elaborate a little bit on what you said earlier.

1110

Mr Broadhurst: As far as I know, and this is from reading your prior Hansard on this subject, it seems to me that the individual matters brought forward by the Provincial Auditor related to one or more of the universities that the inspection audits were done on have been and are being addressed by those universities.

One matter that occupied a lot of time was the enrolment and that was addressed at the system level. Some of the other matters—I'm sure the individual board chairmen and presidents would take quite seriously the comments of the Provincial Auditor and the comments of this committee. I'm sure Mr Stackhouse, as chairman of trustees of Queen's, would pay very close attention to comments that the Provincial Auditor and the committee made on that type of concern.

Even the very existence of this task force, I think, in going around and speaking to a lot of people, just sort of raises the level of the subject a little higher. Having spoken to all the components of the university, internal and external, meaning boards and presidents and faculties and students, I think the issue of accountability has much more visibility now than it had 12 months ago, and we hope we can come up with some useful recommendations in our report to facilitate that.

Mr O'Connor: My concern is somewhat around the deficit financing, some of the problems related there, and some of the high administration costs and what not.

Mr Broadhurst: I'm afraid I'm not aware enough of the high administration costs you're referring to to be any use to you.

Mr O'Connor: If we go back to the Provincial Auditor's report, he mentioned some of the golden handshakes that seemed to be somewhat common and some of the practices in retaining some of the presidents and what not, and it seemed to be somewhat excessive. I just wondered if that was commented on at all while the task force was travelling and when you were then travelling. Who would you have been speaking to that may even have a concern about some of that?

Mr Broadhurst: We had open meetings at each university, so anyone who wished to come, and we tried to

answer any questions we could have. I must say the two matters you were referring to that were addressed by your committee were not raised with us in either of those two universities or any other university during our open hearings.

Mr O'Connor: In advertising for your hearings, then, how would you go about letting the public know within the hospital setting that you were coming?

Mr Broadhurst: Well, this committee is a very low-budget committee—sometimes I'm tempted to say no-budget—so we did not advertise. The advertising was done basically within the university community and we had representatives from all parts of that. We did not have public representation. We did see some municipal officials who may have had an association with a board, and in a couple of cases they came and asked questions, but that was perhaps because of an existing association.

When I say "public hearings," I meant they were open to anybody to come, but we didn't advertise them in newspapers. We sent as many of these out as we could to anybody who wanted them. They weren't really bestsellers. We did our best to broadcast what we were doing and to listen to those who were expressing an interest.

Mr O'Connor: Do you think there could have been a reluctance on the part of some people to come to an open forum like that to address some concerns? They may feel under a little bit of pressure, that if they were to be frank and forthcoming with information—

Mr Broadhurst: Yes. We did offer, and some took advantage of this, any recognized body on campus, any recognized student group, faculty group, to have a session in private and we had several private sessions with faculty groups, just faculty groups and student groups, and one or two with staff association groups. So we did speak to them in private at their request.

Mr O'Connor: Thank you. I defer to my colleague.

The Chair: Just one second. Mr Callahan, did you have some questions on this matter too? Do you have any idea how long you might be? I'm trying to divide up the time here.

Mr Robert V. Callahan (Brampton South): Not very long.

The Chair: Not very long. Well—

Mr Callahan: Of course, I usually lie a lot, but—

The Chair: How about one question from Mr Duignan and then a couple of questions from you. That may even it all up.

Mr Callahan: Sure.

Mr Noel Duignan (Halton North): Very briefly, I was wondering, just looking at the auditor's report from last year—and I wasn't a permanent member of this committee at that time—has the committee looked at the auditor's conclusions and findings on pages 58, 59 and 60, and what have they done about it? Have they done any follow-up, especially around the whole question of assets?

For example, the University of Toronto stated that over one third of the assets we selected from the listing could not be accounted for or were no longer university property.

Has the task force looked at the whole question of assets and how they're accounted for in the universities?

Mr Broadhurst: The task force has not made a specific examination of any of those examples other than to read just what you have read and to discuss them briefly among ourselves. We are interested in this issue of what assets you record and where the cost benefit is of recording assets. There's a breaking point below which you spend more money recording than you do in protecting. We will be making some mention of that, although within the overall framework of accountability.

That's more a financial accounting point we see, and there are debates within not only universities, there are much broader debates in the private sector as to how much money you spend on recording individual assets of relatively small value. It's the issue of cost benefit. It's not a high-level priority for us, that specific item, but we are aware of it.

Mr Stackhouse: Could I add something to that? Within my own university and the audit committee of our board, we've had quite a few discussions about how you best control assets through record-keeping and other means and we commissioned our internal auditors at the university to study that whole area within Queen's University to be satisfied that we do have adequate controls over the assets, especially those kinds of assets that can get up and walk away very easily. As one of the universities, I can say that we certainly saw what the Provincial Auditor had to say in his audits of other universities and reacted within our own university in that way, and I suspect that has happened in other universities too.

Mr Callahan: I suppose one of the issues we groped with was the question of—and I hate to say this, because my alma mater is the University of Toronto—we found that there were significant assets the auditor really had no access to.

Having said that, that's a very sensitive issue, because I know a lot of people who leave money in their estates to their alma mater might be very reluctant to do that if they felt that the government of the day was going to get its tentacles into it.

But it was almost indicated by the auditor that the denial of being able to do this (1) whets his appetite of suspicion, obviously, and (2) there was some concern that funds that were being paid and weren't used perhaps were finding their way into these little pockets that couldn't be examined.

I hope you people will be looking very closely at this, because I think to the letter of everybody on this committee at that time, and I would hope that they're of the same bent now, we want to be very certain that we don't interfere with the autonomous nature of universities. I think it's very important that they be able to continue with that autonomy.

But at the same time, we want to ensure that the quality of education and accessibility of education to young people is not going to be restricted because one university that's cash-fat is getting perhaps an equal share of the pie in competition with universities that don't have that access

to the pot or these additional funds. I would urge you that that's something that should be looked at very carefully.

I'll tell you quite frankly that I think the availability of university, and the community colleges, for our young people today is so important for them to be able to compete that we would want to see that very carefully looked at. Even as an opposition party I say that. You'd think I'd be here trying to crucify the government, but I think that's important.

1120

Mr Broadhurst: In responding earlier to a somewhat similar question, I was looking for a document which I've now found. One of the task force documents is a letter from President Prichard to Professor Graham, the president of the faculty association, then of the Ontario association, and he says in part: "I have no objection to amending the Provincial Auditor's statutory mandate to extend it to operating funds that are transferred to restricted funds. Indeed, I want to endorse such a decision."

Mr Callahan: What's the date of that letter?

Mr Broadhurst: This letter is dated April 15, 1992. It's basically an internal letter within the University of Toronto, but it was tabled with the task force and it is now one of our documents.

Mr Callahan: Can we have a copy of that? We'd like a copy of that.

Mr Broadhurst: Certainly.

Mr Callahan: I think it would be of some importance to the committee. If I could ask just—

The Chair: Just one more question.

Mr Broadhurst: Dr Lang had mentioned earlier that, given the statutory authority, the University of Toronto would not object to the auditor's financial or inspection audits being extended to these areas. The issue centred around comprehensive and value for money, really.

Mr Callahan: If I could just put one more oar in the water, it probably is outside of what you gentlemen are doing in this commission, but it's come to my attention that universities—and I understand that this is out of the minister's hands—tend to have an unwritten rule or a written rule about young people who miss their year being required to wait out of the university for a period of two years. I raised this issue with the Minister of Colleges and Universities.

There are people out there, probably a very large degree of our young people, who have the invisible disability: They're learning disabled. I can understand the reason for that rule for the kids that flunk out by their actions of whatever course, of not wanting to get an education, but I think it's a rule that requires a good deal of flexibility in terms of kids with—

The Chair: Mr Callahan, I think we're over time on this.

Mr Callahan: It's just a statement.

The Chair: I see. I thought you were going to—

Mr Callahan: That's fine. It's just a statement. I'm putting it on the record and I'd like that to be addressed,

because I've not received any word back from either the Premier or the minister that this in fact has taken place, that there's been a change in attitude, and I think it makes a lot of sense. There are a lot of kids who are learning disabled who, through no fault of their own—

The Chair: This is a sensitive subject.

Mr Callahan: —miss their year and are not able to get back into university. I think those are the kids that deserve it far more than the kids who, if I can use the vernacular, screw around and get thrown out of the universities. So I hope that this would be taken back to the appropriate bodies to be considered.

The Chair: I'm sure that's not quite what the task force is investigating—

Mr Callahan: I appreciate that.

The Chair: —but it's a good point none the less, Mr Callahan, and I'm sure the people before us have taken it very seriously.

I want to thank you, Mr Broadhurst and the Task Force on University Accountability, for appearing before us today and for giving us your thoughts and views on the information that you've collected so far. I believe this committee is going to continue in its work in this regard, and we hope to work with you and have your full cooperation.

Mr Broadhurst: I just wanted to thank you very much for your time, interest and comments. We have many of our people with us and we'll be taking them back to our deliberations.

Mr Cousens: I'd like to make a motion that the public accounts legislative researcher review the final report of the Task Force on University Accountability and report to the standing committee on public accounts to inform members on how the task force has responded to the concerns raised by the committee and the Provincial Auditor and that this report be tabled for the committee's consideration within one month following the task force report or as soon thereafter as is possible. The reason for this motion is purely so that we won't forget about this.

Mr Johnson: He was going to do that anyway.

Mr Cousens: But it's on the record. It signals to the task force that we will continue to monitor this and we have it as an element. It's a subject of importance. I would be most pleased if we were just able to do it. If it turns out that the report satisfies the concerns that have been raised, then we wouldn't even have to debate it in committee, but at least we'll know that we're looking at it and they'll know that we're following up on it.

The Chair: Any further debate on Mr Cousens's motion? All in favour? Opposed. Carried. Thank you, Mr Cousens.

COMMITTEE BUSINESS

The Chair: We have a number of other things we are going to have to deal with between now and the next 35 minutes. We have a motion which we received notice of last week from Mr Cordiano in regard to the Workers' Compensation Board plan to move to a new head office. When we're finished dealing with Mr Cordiano's motion, I

have a list of things that I want to discuss with the committee in regard to our work during the intercession. I also see Mr Duignan has a matter he wants to raise.

Mr Duignan: Just on the motion, Mr Chairman.

The Chair: I think Mr Cordiano gave us notice of motion last week. It would be appropriate if he would move his motion and then we'll begin discussion on Mr Cordiano's motion.

Mr Cordiano: I move that consideration be given to my motion. Is it open for discussion and debate at this time?

The Chair: Mr Cordiano moves that the Provincial Auditor review the Workers' Compensation Board's plans to build a \$200-million office tower to serve as their new headquarters. As part of this consideration, the auditor should examine whether this is good value for money in light of the fact that it would cost \$380 per square foot of this new office space at a time when there's 27 million square feet of available space at an average cost of \$20 per square foot in Toronto.

Any discussion?

Mr Cordiano: Could I make some opening remarks?

The Chair: Yes. I looked to you, I didn't see you.

Mr Cordiano: I'm sorry. I just want to open the discussion with these comments. I think this is a fundamentally important question to us all, regardless of what side of the House we sit on. I think this question would be one of the most important things we have to deal with with respect to understanding the scope and the breadth of difficulty that exists in the public mind with respect to public expenditures at a time when it's very difficult for people and businesses throughout the province to understand why at various times their WCB rates have increased and the costs have escalated enormously in at least the last five years.

Interjection.

Mr Cordiano: Whatever. The final payment is made by the person who's assessed, the businesses that are assessed out there, and I think they would want to have some accounting as to the decision that was taken here. I think it's perfectly legitimate for us to look into this matter, for the WCB and its officers to come before us and explain the decision that has been taken, if it's a satisfactory decision, if it meets with value-for-money kind of decision-making, and answer a series of questions that I and, I'm sure, all members of the committee will have with respect to the economic justification for this decision at this difficult time in our economy when expenditures of this kind are difficult to justify. I leave it for your consideration.

Mr Duignan: Just to save time—I know this committee has a number of other issues to discuss this morning—our side has no objections to this motion.

Mr Cousens: I have just a couple of points I want to put on the record because I don't think that one can isolate a decision that is being made by the Workers' Compensation Board from all the other economic considerations that are going on in the province of Ontario. Everything has to be somehow put in the balance so that we're able to see that

the total costs of running this province and providing the services are being assessed and analysed, and we as the public accounts committee are especially concerned that any dollar that's spent has to be carefully justified.

I am concerned that we're seeing a rally outside the Legislature at noonhour today for the developmentally handicapped. York South Children with Learning Disabilities will be there, and many others concerned with the cut-backs to the developmentally handicapped. That greatly worries me. I see education dollars becoming very limited, and grants for students, so the people services which really the WCB is all about cannot be separated off one from the other. Operating costs are being hurt and these capital costs certainly have to be held in line. I see that as part of the equation.

The other thing that has to be looked at is that unfunded liability of the Workers' Compensation Board is in the billions of dollars now. It's \$8 billion to \$9 billion unfunded liability, and now we're in the process of looking at the possibility of constructing a headquarters for the Workers' Compensation Board when the cost for that is \$380 per square foot when you can rent existing space in the greater Toronto area for \$20 a square foot, and probably even less in Markham. There might be certain advantages about coming up to Markham, because we've got space there that could be very worthwhile.

Mr Johnson: Less in Prince Edward county.

1130

Mr Cousens: And less in Prince—oh, my goodness, and probably they'd give it away in some other areas. The concern I have is that this is a very worthwhile motion, and I do support Mr Cordiano in bringing it forward. I sincerely hope that it is a way for the WCB to stop and reflect on what it's doing and face the fact that the Legislature is not blind to what's going on there. We are very alert and aware of these concerns and are prepared to do something about it. So I compliment Mr Cordiano.

The Chair: Thank you. Mr Duignan and then Mr Hayes.

Mr Duignan: Very briefly, we on this side are supporting the motion. We are concerned about the cost of the move of the WCB as well.

Mr Pat Hayes (Essex-Kent): Actually, there are a couple of quick questions I'd like to ask probably the auditor. Was there an auditor's report on this here, or an audit done on the workers' comp recently?

Mr Jim Otterman: There's no audit done specifically relating to this issue.

Mr Hayes: Not specifically relating to that, but there was.

Mr Otterman: No. Every year the board is audited by a public accounting firm that is appointed by the Lieutenant Governor in Council. They do the normal financial test opinion on the financial statements, it's presented to us, we do a reliance review and then that opinion is issued. They also engage either the same external audit firm or another firm to carry out a value-for-money audit of a particular segment of the operation, and I'm not sure where they

stand on that for this year and what area they're actually looking at.

Mr Hayes: Okay. I just want to say that, yes, we can support this particular motion. I think it would hopefully clear the air, because I'm not totally convinced that Mr Cordiano's facts, as presented on this piece of paper, are facts indeed. Maybe the move is a good move possibly, because I understand there is a certain investment there, that the comp board would actually be getting some revenue back out of it. So at this particular time I think we can support this.

The other question I guess I have is, how would this work? Would the auditor go ahead and deal with this and then would we bring in, say, the board members?

Mr Otterman: The auditor would table the report before the committee, we would review it and then we would decide to carry on.

Mr Hayes: We look at the report and then if we felt it necessary to do that we would do that. Yes, okay, thank you.

The Chair: Thank you. Any further discussion? All in favour of Mr Cordiano's motion? Opposed? The motion's carried. Thank you, committee, for this quick disposition of that matter.

The Chair: Now the matter of the intersession and the work that's building up because of the numerous activities of this committee and the Provincial Auditor. I've made a short list.

We asked for a special report on the operations of the registrar general; we've now asked for a special report on the proposed move and proposed new headquarters of the Workers' Compensation Board; we're in the middle of the Toronto General Hospital review; we've asked the auditor to conduct an audit in the Office of the Ombudsman; the government and ourselves are in the middle of discussions regarding the review of the Audit Act; and the annual report of the Provincial Auditor will be out very shortly.

I believe we had asked the auditor to focus on non-profit housing, and there's going to be a section in the annual report about non-profit housing at our request, and then I'm sure there are going to be other important items recorded in the auditor's annual report that may be of interest to this committee.

So that gives us a minimum of six items that we have ongoing. I would suggest to the committee that it would not be appropriate to allow all of these items to sit idle until the Legislature reconvenes some time at the end of March. I believe we should take a number of these items, schedule them for the intersession and try to clean up as much of this ongoing work as possible.

We have Mr Duignan and then Mr Cousens.

Mr Duignan: I agree, Mr Chair. Maybe the subcommittee can meet and go over the list and make a recommendation back to the committee.

The Chair: I have not had good experience with the subcommittee. Every time we have a subcommittee report, it is either overturned or members are unhappy or we have to redo the whole thing. I've told the clerk I'm not

convening any further subcommittee reports because the process has proved to be a complete failure.

Mr Callahan: I move a motion that this committee endorse any decisions the subcommittee may make as long as they are unanimous decisions at the subcommittee. That will allow us to do what's being suggested by Mr Duignan.

The Chair: I don't think you heard me, Mr Callahan. I'm not convening any more subcommittee meetings.

Mr Cousens: The committee rules, not the Chairman.

Mr Callahan: Just a second, Mr Chairman. It's the committee that rules, with the greatest of respect.

The Chair: You may want to convene your own subcommittee meeting.

Mr Callahan: That's fine, but I'm moving that motion because I think what's being suggested by that gentleman makes eminent good sense. We could sit here all morning and discuss what might be the priorities.

The Chair: Well, thank you for your comments. The members of the committee have been told very clearly in the last moment or two what the items on the agenda are. We have 23 minutes left this morning. If we apply ourselves, we may in fact have a consensus between now and 12 noon as to what the committee wishes to do; that's if we apply ourselves. Mr Cousens.

Mr Cousens: Is there a motion on the floor? I heard Mr Callahan make a motion, and I don't know whether the Chair has accepted that motion or ruled it out of order, and by what authority he has done that.

The Chair: I'm not convening any more subcommittee meetings.

Mr Cousens: I don't want to challenge the Chair, but I'm saying that there is a motion on the floor and the Chair does not have the authority in any committee of this House to rule that kind of motion out of order. I would therefore call upon the Chair to reconsider the decision he has made, because I see this as a valid motion where the subcommittee would then have some authority to do something.

The Chair: And what would you wish to do in the next 20 minutes?

Mr Cousens: There are other things to discuss, but I'm saying, never mind just trying to fill time; there's a motion on the floor and I want to deal with that.

The Chair: Mr Callahan has moved that we have a subcommittee meeting to discuss the items that I outlined here a moment or two ago. I can outline them again for the committee if it wishes, but I'm sure you recall what they are. Any discussion on Mr Callahan's motion?

Mr Duignan: Yes, Mr Chair.

The Chair: Well, Mr Callahan made the motion, so we'll hear from him and then we'll start the regular rotation.

Mr Callahan: The purpose of this, Mr Chairman, is to eliminate what I understand your frustration is, that on the previous occasion there was—

The Chair: On a previous occasion or on every occasion, Mr Callahan?

Mr Callahan: I only recall one, but, in any event, to overcome that—and I think that we all know, as you have

told us, what the issues are that can be considered during the intersession. I think we can all support a motion that would call for the endorsement of the subcommittee's decision, rather than getting back in here and fighting over whether we endorse it or not.

I think it's very important that subcommittees' decisions be upheld and not be changed by the committee itself. Otherwise, the Chairman's quite right: It makes it a total waste of time to have a subcommittee do it. So maybe if we have that understanding that this will not happen in the future, perhaps I can withdraw my motion and we can refer it to the subcommittee.

Mr Cousens: I'm going to support the motion and I wouldn't want to see it removed, because I think the concern that Mr Mancini has had with regard to previous subcommittee meetings is justified.

The Chair: Thank you.

1140

Mr Cousens: But notwithstanding that, there is value in having a subcommittee. Because one of the things that's going to happen is that next Tuesday the Provincial Auditor comes out with his newest report and there may well be certain items within that report that we will want to put closer to the top of the list. Some of the issues that have been already touched upon by the Chairman may well be the ones we want to follow on with, but there may well be others that come out of the new report that we would want to bring more quickly to the attention of the committee during the recess.

I make that point, and if the subcommittee comes in with each of the three parties presenting its list, it would be possible for that group to make a determination. I think the motion's valid and it certainly gives the Chair some reason for calling a committee meeting.

Mr Duignan: I certainly support the motion on those issues you raised here this morning and I feel that the report coming back here to the committee would be, hopefully, supported unanimously by all sides.

Mr Cordiano: I have to concur with the Chairman because if we're going to have a properly functioning committee to order its business in an efficient manner, then I think the subcommittee's purpose is to do just that. If we're going to thwart the work of the subcommittee once it arrives here at the full committee, then logic dictates that it's not worth doing. I think that's exactly what the Chairman is trying to point out. If you're going to have a subcommittee, then everybody must agree that the subcommittee's decisions have to take precedence once it comes to the committee.

Mr Callahan: That's my motion.

Mr Duignan: That's in the motion.

Mr Cordiano: Your motion may not be what results in the final analysis. Your motion does not override what the committee will do. Correct me if I'm wrong. I'll refer this to the clerk.

The Chair: We've asked Mr Callahan to put his motion on paper, but I just want to take a moment to express my feelings to the committee. It's an enjoyable

committee and we know each other personally now over the last—some of us longer than others—and it's really great fun working with you individually, but as a group the subcommittee has not worked very well. Let me tell you about the frustrations I've had.

First of all, with all due respect, it's darn near impossible to get a subcommittee meeting because we cannot coordinate our individual schedules. It has proved to be one of the most frustrating events I've ever gone through. I receive numerous calls from the clerk that no matter what day we choose we can't get a committee together. Therefore, we've gone to meeting just prior to the regular committee meeting on Thursdays.

Now, if things continue on the way I believe they will continue, we're not going to be able to have a subcommittee meeting today, Monday, Tuesday or Wednesday. It's going to take place next Thursday at 9:30.

On every single occasion a subcommittee has met and made decisions, whether they were for one reason or another, controversial or non-controversial, the work has come back to the full committee, we've had extensive debate, far greater debate in the full committee than we did in the subcommittee, and all previous agreements have been overturned.

I don't mind convening meetings, but based on how things have operated over these last few months, it has been a total and complete waste of time to try to organize subcommittee meetings and then to have them. So I'm for efficiency in this committee, I'm for moving the agenda forward and I'm for listening to all members of the committee on what they want to do. That is the reason I told the clerk, after the last subcommittee meeting, that it appears to me a waste of time, I'll explain it to the committee and I really have no enthusiasm for calling these meetings because it hurts the effectiveness of the committee.

You are absolutely right. If you move a motion passed by the committee which says the Chair must convene a subcommittee meeting, we will try to convene one and we'll do all the somersaults necessary to rearrange my entire schedule to meet with anyone else's here. I have no problems doing that. I would be more than happy to do that, but I ask the members of the committee to do the same thing. Don't be surprised when we make these decisions if we have to come back and review them and overturn them.

The other problem is that we're close to the end of the session. I was hoping we could have a consensus today on what we wanted to do—and I outlined very clearly what we had to do; things are backing up tremendously—so that today we could prepare a letter and have it delivered to the House leaders tomorrow so they'd have the next couple of weeks to order our business for us, because we still have to request time from them. That is the purpose of the request I made today.

Mr Callahan: Maybe the motion could be read, because I think it should be clear.

The Chair: Yes, that's a good point.

Moved by Mr Callahan that the public accounts committee agree that any report of a subcommittee where the vote

is unanimous will be adopted and acted upon by the full committee.

Mr Cousens: The only problem you have in coming to the House leaders with a determination of what schedule we're going to have during the hearings is, because the Provincial Auditor's report does not come out until next Tuesday, that is going to change the thinking we might make today because we don't know what is in that report. That is the main reason I see there being tremendous benefit to the committee meeting prior to next Thursday.

My second point is, I can assume that historically this committee has met for two to three weeks during the recess time frame.

The Chair: Some longer, some shorter.

Mr Cousens: I would have to say that I would support that you get your name in immediately for at least three weeks of hearings during the interim so we can at least begin to realize that there's enough to do. I know there'll be sufficient. Then we'd have the authority to do that plus the authority to travel.

The Chair: We'll ask for four weeks because we know they'll chop us back to three.

Mr Cousens: Mr Chairman, you missed my final point: along with the authority to travel on a number of these issues.

The Chair: I heard that, Mr Cousens.

Mr Johnson: Notwithstanding all the concerns the Chair has, I was going to vote against this motion until I heard it re-read and I heard the word "unanimous," because I think "unanimous" is very important.

The Chair: It's never going to be unanimous.

Mr Johnson: I also agree with the Chair that, with the time we have remaining, we could probably come to some conclusion.

The Chair: Absolutely. That's why I think we could do this work right now. It's going to take an enormous amount of effort to get a subcommittee meeting, and nothing will be accomplished, with all due respect.

Mr Callahan: Mr Chair, that motion is not asking for you to convene a subcommittee meeting. All it's doing is trying to lay to rest what I see as a waste of time, where four of you sit down and agree on something, which happened on a couple of occasions, and then when it gets back here, the full committee, with the strength of its vote, just wipes out all that's been done by the subcommittee. I quite agree with the Chairman: That's a waste of time for everybody.

What this is saying is that if the subcommittee isn't unanimous, if somebody wants to open up the can of worms at the subcommittee, fine; do it then. Don't waste the subcommittee's time or the committee's time. That's all this is. It's not asking the Chairman to do it at all. We can do it right now if you like. So I'd like to move the motion.

The Chair: All in favour of Mr Callahan's motion? Opposed? Carried.

Interjection: It's unanimous.

The Chair: Unanimous.

Mr Cousens made a good point and it may be in the form of a motion. He suggested that we request three to four weeks' time from the House leaders immediately, with authority also to travel. We'll fill in the details as we decide on the details. Mr Cousens, would you mind making that a motion?

Mr Cousens: I so move, Mr Chairman.

The Chair: Any discussion on Mr Cousens's motion? Mr Cousens, do you have any discussion on that?

Mr Cousens: When you're getting into any of these issues, you have to have firsthand experience other than just to sit here at Queen's Park. I think we often forget that we are responsible for the province of Ontario. If the Board of Internal Economy says, "Do you want to travel the world?"—no. My concern is that we're dealing with Ontario issues and may well have to get out of Toronto. I think there's a real problem in this province when they see us coming into Toronto. This seems to be a place dominated by this city, and it isn't. I want to do everything I can to show northern Ontario, eastern Ontario, western Ontario and Markham that we're not just run by a Toronto-based group.

Mr Duignan: I support Mr Cousens's motion. Is it four weeks?

The Chair: Four weeks, yes.

Any further discussion on Mr Cousens's motion? All in favour? Opposed? Carried.

Does the committee want to spend—I guess we won't do that, because I will convene a subcommittee meeting.

Interjections.

The Chair: But I'll tell you, it won't take place until next Thursday. I already know that, and I know we're not going to decide anything unanimously. I know that.

Mr Cousens: No, we could.

The Chair: Yes, and Santa Claus is for real too.

Mr Duignan: Maybe the Chair will buy us all lunch.

The Chair: And I believe in the Easter Bunny.

Mr Hayes: I can understand a lot of the frustrations in trying to get the members together for your subcommittee meeting, but is it possible, when you're all sitting in the House sometimes, that you could get together there, like go to a room, rather than, say, tomorrow night or tomorrow morning? When you're all in the House at the same time, is there a possibility—

The Chair: But it has to be organized. You're correct. That could be done, but there has to be—

Mr Hayes: But if you've got some specific issue you want to discuss—I would suggest that; that's all.

The Chair: But it has to be organized. We have to have the clerk with us. We have to make motions. It has to be recorded. It has to be done in some fashion so that when you report to the full committee, it's done in a—

Mr Hayes: You don't need Hansard there.

The Chair: No, we don't ever have Hansard for the subcommittee.

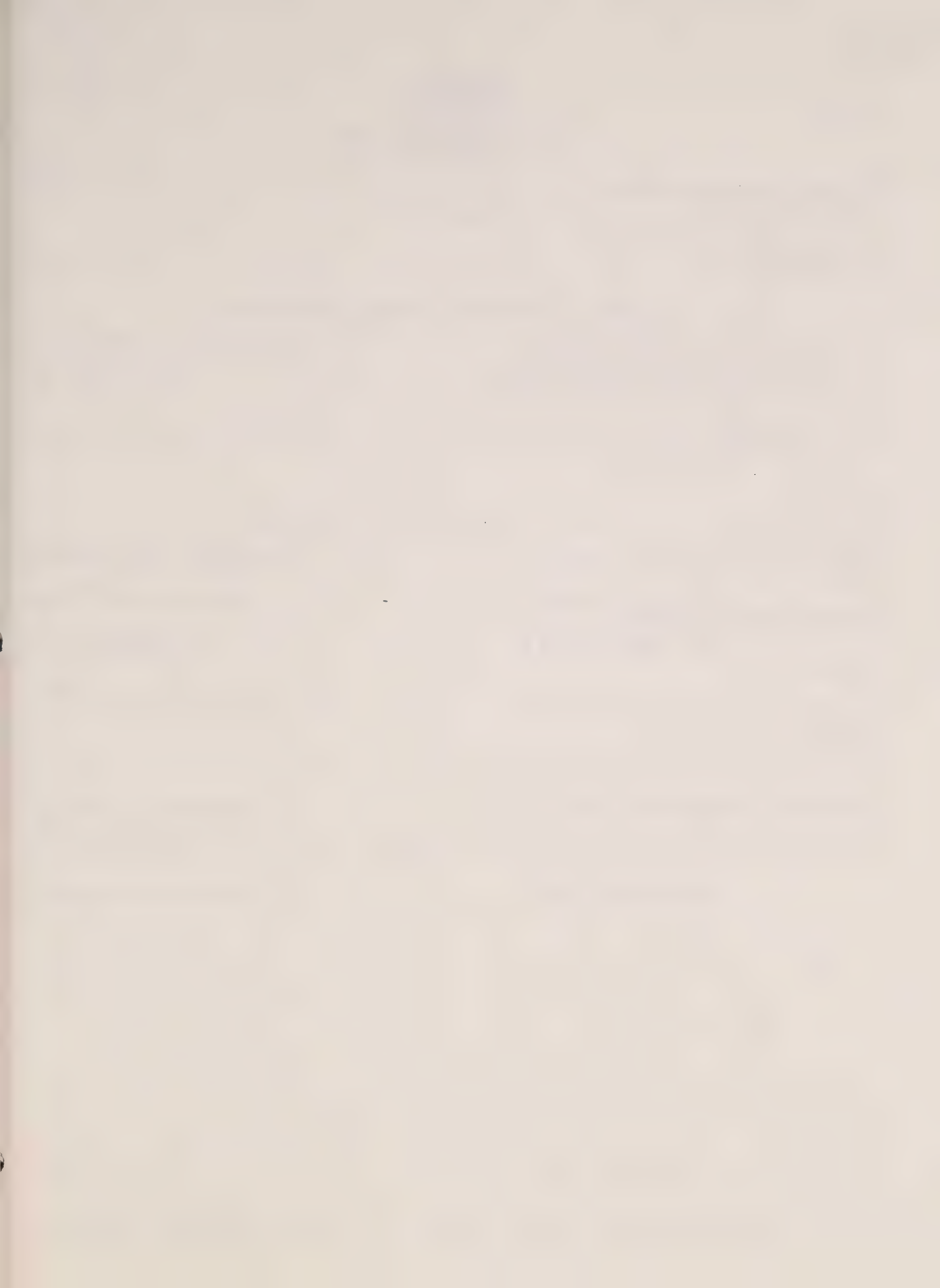
Mr Hayes: Just trying to help you out.

The Chair: Anyway, please keep this in the back of your mind. We asked for a special report on the registrar general's office; we asked for a special report on non-profit housing that's going to be included in the annual report; there may be other items there that we're interested in; we're in the middle of the Toronto General Hospital matter; we've asked for the auditor to go in and work in the Ombudsman's office; and we're in the process of negotiating a review of the Audit

Act with the government. Those are the key items, and there may be more next week.

We'll see everybody at the next subcommittee meeting, 9:30 am next Thursday morning here. Subcommittee members, next Thursday morning, 9:30 am. We'll advise you on the room.

The committee adjourned at 1152.



CONTENTS

Thursday 26 November 1992

Task Force on University Accountability	P-169
William Broadhurst, chair	
Richard Stackhouse, member	
Dr Dan Lang, member	
Committee business	P-179

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- ***Chair / Président:** Mancini, Remo (Essex South/-Sud L)
- ***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
- *Callahan, Robert V. (Brampton South/-Sud L)
- *Cousens, W. Donald (Markham PC)
- *Duignan, Noel (Halton North/-Nord ND)
- *Frankford, Robert (Scarborough East/-Est ND)
 Haeck, Christel (St Catharines-Brock ND)
- *Hayes, Pat (Essex-Kent ND)
- *Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
- *O'Connor, Larry (Durham-York ND)
 Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

Substitutions / Membres remplaçants:

- *Perruzza, Anthony (Downsview ND) for Ms Haeck

*In attendance / présents

Also taking part / Autres participants et participantes:

- Cooper, Mike (Kitchener-Wilmot ND)
- Otterman, Jim, Assistant Provincial Auditor
- Sciarra, John, administrative assistant to Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service

C42001
XC21
-P12



P-16

P-16

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Legislative Assembly of Ontario

Second session, 35th Parliament

Official Report of Debates (Hansard)

Thursday 3 December 1992

Standing committee on public accounts

Committee business

Assemblée législative de l'Ontario

Deuxième session, 35^e législature

Journal des débats (Hansard)

Jeudi 3 décembre 1992

Comité permanent des comptes publics

Travaux de comité



Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 3 December 1992

The committee met at 1020 in room 228.

COMMITTEE BUSINESS

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. I'd like to report to the committee that we've had our best subcommittee meeting ever. We accomplished a number of important goals that we had set for ourselves at the last meeting. I'd like to give the committee a report.

The subcommittee discussed the chairman's agenda for the winter of 1993. It was agreed that the committee will consider the following sections of the Provincial Auditor's 1992 annual report: section 3.03, family benefits assistance; section 3.04, elevating devices; section 3.10, health registration system; section 3.12, non-profit housing.

The subcommittee agreed that the Ombudsman will be scheduled to appear, and that the committee will review the special reports on the Workers' Compensation Board move, the new head office move, and the registrar general's special report.

The subcommittee agreed that the committee will meet for a maximum of three and a half days per week, starting Monday afternoons and finishing up Thursday afternoons.

It was agreed that the subcommittee will finalize the length of time for each subject when the committee is advised of the amount of time the committee will be able to meet. You will recall that the committee had requested four weeks, and we're hoping that we get our four weeks.

Can I have a motion that we concur with the subcommittee's report?

Mr Larry O'Connor (Durham-York): So moved.

The Chair: Mr O'Connor moves that the subcommittee report be adopted as read. Any discussion on the subcommittee report, now that we've all agreed?

Mr Noel Duignan (Halton North): On the question of the Ombudsman, Mr Chairman, again we make a request that the Ombudsman appear. She's indicated she would like to appear in front of this committee for a half-day some time in the recess. If she, for example, fails to appear, we then simply say that the audit's going to go ahead anyway.

The Chair: We should inform the committee that we've made three separate formal attempts to accommodate the Ombudsman, and none of our attempts have been successful. We're going to try one more time. We're going to ask the clerk if she'll send another letter to the Ombudsman, and hopefully we can have her in for part of a day to answer the questions that members have.

Mr W. Donald Cousens (Markham): Do you want a motion to that effect, Mr Chairman?

The Chair: I think we would like a motion, yes.

Mr Duignan: To the effect that if she fails to appear or doesn't want to appear or can't meet the schedule of the committee, then we simply say to the Ombudsman that the audit's going to go ahead anyway. I think we've wasted enough time on this issue.

The Chair: Mr Duignan has moved that we communicate with the Ombudsman for a fourth time in a formal way inviting her to appear before the committee, and make every reasonable attempt to accommodate her schedule. If the Ombudsman fails to respond to our letter and our request in a positive fashion, we will then instruct the Provincial Auditor's office to immediately commence with the full audit of the office, as has been requested by the committee.

Mr Cousens: This is a very strong motion, and also a good motion in the sense that it really is asking the Ombudsman to come to our committee. The initiatives that have been taken so far are with the best of intentions, but it is our responsibility to see that certain financial audits take place, and we take that responsibility very seriously, as she does her work as Ombudsman. But I think the two can be balanced in a very harmonious way. I would hope that this motion causes everyone to expedite the process. I think it's a good motion, and on behalf of the Tory caucus, I will vote in support of it.

Mr Joseph Cordiano (Lawrence): I would like to echo those remarks, and suggest that this committee endeavours to work with those whom we request to come before us in an effort to seek positive change in whatever subject matter we're dealing with. I think we, in this case, have on a number of occasions made every effort to accommodate the persons we've asked to appear before us. I think we've demonstrated that we're willing to work in that vein, and as a result, we need to move forward with this final motion. So I would suggest that we recommend that this motion be carried.

The Chair: Any further comments?

All in favour of Mr Duignan's motion? Opposed? Carried.

Mr Cousens: I can't take credit for this good idea. Mr Cordiano, in subcommittee, suggested that those areas within the just-released auditor's report that we have not had time to schedule in our immediate plans be written to by the Chairman of the committee to see what action is being taken by the specific ministries and areas involved and requesting them to report back to our committee for an evaluation of the progress that's been made in those areas within a reasonable time frame. I would leave that time frame to the discretion of the Chair, but it would give us a chance to have all areas that have been raised by the auditor in his report to at least have a follow-up by this committee.

I commend Mr Cordiano for this idea, and I just wish I'd thought of it myself. It really means that every area

within our realm of responsibility will have been addressed one way or the other. If progress is made, then everyone can go away happy.

That is a motion, unless Mr Cordiano wants to put it in his words and take all the credit.

Mr Cordiano: No, I think you've done an admirable job.

Mr Duignan: Along Mr Cousens's line, I believe the public accounts committee is the watchdog of the public accounts of this province. I concur with Mr Cousens's and Mr Cordiano's decision earlier.

The Chair: Mr Cousens has moved that the committee prepare specific letters to send to certain departments that have been mentioned in the annual report of the Provincial Auditor, to seek out information as to what action these departments are taking in response to the auditor's report. Tannis will prepare the letters.

Mr Cordiano: Could I add something? I think, as has been pointed out, that it would be very useful for the committee to have this procedure, whereby all the work of the auditor is examined at one point or another. This is a method for doing it efficiently. But I would hope that we could carry through with this process almost on an annual basis—that's from my point of view—that it would become a kind of—

Mr O'Connor: I think you're going to set a precedent.

Mr Cordiano: I hope that would be the case and that we would be more efficient in our operations as a result of this. That's all I wanted to say.

The Chair: Thank you, Mr Cordiano. Everybody understand the motion?

All in favour? Opposed? Carried.

1030

The clerk reminds me that members have correspondence from the Australasian Council of Public Accounts Committees, eighth biennial conference. I'd ask members to look over the information.

Any new business?

We do not anticipate a meeting next Thursday. That'll be the first Thursday we've not met since the Legislature has convened. If any members have any business that we should be looking after next Thursday, will you please let me know so we can convene a meeting?

Mr O'Connor: I don't know if it's in order to have a motion to send to Mr Cordiano's whip to suggest that after he came forward with such a brilliant idea this morning, setting his precedent, maybe he could be on duty for midnight sittings all the time and always be full of these bright ideas. A seconder for that motion?

The Chair: All in favour of that motion?

Mr Cordiano: No, no, no.

Mr Carman McClelland (Brampton North): Mr Chairman, as somebody substituting on this committee for the first time, I'd just say it is a very timely opportunity for me to be here. I wholeheartedly support Mr O'Connor's suggestion.

Mr Cordiano: In light of that, I would say this: I'd be delighted to be here every night till midnight, if you would offer to sit with my two kids, who happen to still be in diapers, along with my wife, who'd give you a whole roster of duties to perform while you're at home—

Mr McClelland: None of which you do, I might add, in any event.

The Chair: I think we should congratulate the auditor and the auditor's office for an annual report well done. I'm hoping we can continue to work together very closely to ensure that all of the important matters raised in this annual report are properly dealt with, and I think we've started down that right path. Any other comments?

Mr Duignan: I just wanted to extend our debt of thanks and gratitude to the assistant auditor for the work he's done, filling in between the retirement of the former auditor and the appointment of the new auditor.

The Chair: I think that's the feeling of the whole committee.

Mr Cordiano: I'll just add to that. I think Mr Otterman and his staff have performed wonderfully well, filling in as the acting auditor. I think I could speak on behalf of all members. We've been pleased and fortunate to have you perform in the way you have, and of course we have not seen a decline in any of the efforts put forward by the office of the auditor. For that, you ought to be commended, and I would like to congratulate you for your efforts.

Mr Cousens: I, on behalf of the Progressive Conservative caucus, would like to express our appreciation for James F. Otterman, FCA, assistant Provincial Auditor, for the way in which he has performed his responsibilities in a most professional way. It is one of those things, when the Provincial Auditor leaves and someone's got to fill the gap. I know we are extremely well served by Mr Otterman, and hope that as changes continue to take place around this place, we can continue to benefit from his advice and counsel.

The committee has established a very close and excellent working relationship with the auditor, and I think a lot of that has to do with the way in which we have built on trust. We have gone about things in a way that we're trying to make this province a better place without bringing in unnecessary confrontation. That's the spirit in which people are given a chance to grow and build and make it a better place.

I think that relationship has gone back a long time: The auditor, with research, the Chairman and all of our committee, has shown that there's a way of leading, and that is by showing the way. Again, to Mr Otterman and his staff I say a very hearty thank you, and trust that this will continue.

The Chair: Thank you very much. I certainly endorse every comment that's been made by the members of the committee. It's been a pleasure to work with Mr Otterman and his staff.

Seeing no further business, the committee stands adjourned until further notice.

The committee adjourned at 1035.

CONTENTS

Thursday 3 December 1992

Committee business P-185

STANDING COMMITTEE ON PUBLIC ACCOUNTS

***Chair / Président:** Mancini, Remo (Essex South/-Sud L)

***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)

Callahan, Robert V. (Brampton South/-Sud L)

***Cousens, W. Donald** (Markham PC)

***Duignan, Noel** (Halton North/-Nord ND)

Frankford, Robert (Scarborough East/-Est ND)

Haeck, Christel (St Catharines-Brock ND)

***Hayes, Pat** (Essex-Kent ND)

***Johnson, Paul R.** (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)

***O'Connor, Larry** (Durham-York ND)

Sorbara, Gregory S. (York Centre L)

Tilson, David (Dufferin-Peel PC)

***In attendance / présents**

Substitutions present / Membres remplaçants présents:

McClelland, Carman (Brampton North/-Nord L) for Mr Callahan

Morrow, Mark (Wentworth East/-Est ND) for Ms Haeck

Wilson, Gary (Kingston and The Islands/Kingston et Les Îles ND) for Mr Frankford

Also taking part / Autres participants et participantes:

Otterman, James F., Assistant Provincial Auditor

Sciarra, John, administrative assistant to Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



Legislative Assembly of Ontario

Second Intersession, 35th Parliament

Official Report of Debates (Hansard)

Monday 11 January 1993

Standing committee on public accounts

Workers' Compensation Board

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Lundi 11 janvier 1993

Comité permanent des comptes publics

Commission des accidents
du travail



Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday 11 January 1993

The committee met in closed session in room 151.

1406

WORKERS' COMPENSATION BOARD

The Vice-Chair (Mr Joseph Cordiano): Ladies and gentlemen, I'd like to call the meeting of the public accounts committee to order. We have before us representatives from the Workers' Compensation Board to help us with our discussions today. I would like to welcome you all to our committee and I ask that each of you identify yourselves for the record.

Mr Brian King: My name is Brian King. I am vice-chair of administration of the Workers' Compensation Board. With me is Linda Angove, secretary to the board and the project manager for the facility strategy; Glenn Cooper, the chief financial officer of the Ontario Workers' Compensation Board; and Vivian Varnam, the project controller of the facility strategy.

The Vice-Chair: Welcome. I think it's best if we proceed with any briefing material you may have for us and then allow a period of time for questions after that briefing session. If you'd like to start, I give you the floor.

Mr King: Ms Angove has a brief presentation on the background to the facility strategy.

Ms Linda Angove: This afternoon we'd like to talk about some of the key issues that have been of interest to various groups regarding the head office relocation for Workers' Compensation. Specifically, we're going to deal with our rationale for relocation from 2 Bloor Street East.

Mr Noel Duignan (Halton North): Point of order: Sorry to interrupt; I just can't see the screen because the projector is right in the middle.

The Vice-Chair: Is there any way that we can amplify visibility here?

Ms Angove: I have copies of the overheads. I have additional copies now, if you'd like.

The Vice-Chair: Yes, would you please circulate those, Tannis? Just hand those around.

Ms Angove: We're going to talk about the process for the various aspects of the project to obtain approval from our board of directors: why no existing facility can accommodate the Workers' Compensation Board, the cost implications of this transaction for both the tenant and the investment fund, the benefits of a design-build facility, the service delivery impacts and the potential for efficiency gains. In addition, of course, we'll answer any questions you may have regarding the project throughout.

In early 1990 we took a look at some of the problems we were experiencing at 2 Bloor Street East, because we recognized the fact that our lease there was coming due in mid-1990 and we appreciated the fact that if we were going to relocate, it would take some time to plan that relocation,

particularly if it involved a relocation to a facility that required a design-build approach.

Some of the factors that contributed to the decision to relocate included the identification of a number of deficiencies, and some of the key deficiencies are listed here for you. They include inadequate elevator capacity that results in very expensive delays for us; inadequate cabling systems, resulting in excessive downtime for our workstation technological equipment and unnecessary cost with internal staff moves with the relocation of these workstations; inadequate floor-plate size, preventing work groups that need to work together from locating on the same floor; inefficient mechanical and electrical systems; lack of emergency power and, actually, the inability of that building to accommodate emergency power, which results in the loss of data and expensive downtime with power interruptions; inappropriate lighting system, which contributes to a high incidence of headaches and eyestrain for our VDT users; and inadequate shipping and receiving facilities.

Mr David Tilson (Dufferin-Peel): Excuse me, Mr Chairman. Speaking of inappropriate lighting, now that we have this material before us, I wonder if we could have the lights back on.

The Vice-Chair: I'll refer that difficult question to the clerk.

Mr Tilson: There we are. Thank you.

Ms Angove: In addition to those deficiencies, we have major problems in accessibility for people with disabilities that include inadequate proximity to parking for mobility-impaired clients that requires them to walk quite a lengthy distance from the closest parking spot to the WCB premises and unacceptable access for persons with disabilities, particularly people who use wheelchairs. Today, someone who parks at 2 Bloor Street East or in the closest parking-lot to 2 Bloor, which is the hotel next door or the Hudson's Bay, is required to take three elevators, one of which is the freight elevator, and he or she must go through the garbage area to get to our premises. We feel that is unacceptable.

With that, we presented to the board of directors in July 1990 a presentation that recommended that we relocate the WCB head office, and it authorized us to conduct an investigation of alternative sites. In the fall of 1990 we tendered and we advertised in the Globe and Mail and the Financial Post. We received 75 inquiries from interested parties and 34 submissions for both existing and new facilities.

Those submissions were subsequently evaluated through extensive criteria for the user, the tenant and the investment sides of the transaction, and we shortlisted down to 13 sites, of which nine were design-build and four were existing facilities. We then went to the board of directors in December 1990 with a short list of four. All of those included design-build options, because we determined that no existing facility

can accommodate our requirements. I'll speak about that in a little more detail later.

In February 1991 the board of directors authorized the administration to negotiate an agreement with the proponents of Simcoe Place. Simcoe Place was determined to be the most appropriate site to meet all of our technical requirements, all of our user requirements, our investment criteria, and it was the most advanced project submitted in terms of municipal approvals.

In April 1991 the board ratified the lease letter agreement and authorized the administration to negotiate all related documentation related to that agreement. In April 1992 the board of directors authorized the WCB administrators to execute the documentation to finalize the transaction with the proponents of Simcoe Place.

I want to talk a little bit about why existing facilities cannot accommodate the WCB. You will note that many of them are the same reasons why 2 Bloor Street East cannot accommodate WCB. Specifically, existing facilities are not designed to accommodate a high-density user of space like the WCB; they're designed for speculative office tenants who use much more space than we do per person. We basically put twice as many people on a floor as a typical office tenant. So consequently, as a result, existing facilities do not have sufficient elevator capacity to accommodate not only our staff but over 100,000 visitors to WCB's offices every year. In fact, in 1991 we had 153,000 injured workers visit our premises, and that contributes to tremendous delays for us.

There are inadequate cabling systems in typical office buildings to accommodate our technical requirements. We have the largest imaging installation in North America. As a result, it puts a tremendous strain on the cabling system in any facility, and typical office buildings are just not designed to accommodate that.

Mr Gregory S. Sorbara (York Centre): I'm sorry, what did you say? The largest what?

Ms Angove: Imaging. Much of our claims adjudication work is now done through imaging, so we don't use a paper file. All of the information is on the technological system, on the screen, basically. So when that screen goes down, it means the adjudicators cannot perform their jobs. Delays of any kind are very costly to us, not only financially but in terms of service delivery impacts.

The other problems with existing office facilities is that they have inadequate mechanical and electrical systems. Again, related to the number of staff and the kind of technology we use at WCB, they have inadequate structural loading. Because of the types of functions we have on certain floors, we have to add structural loading. For instance, our mass mailing area requires extra loading on the floor.

The other big problem with existing facilities is that they lack sufficient contiguous space for the operations, so that staff cannot work in close proximity. You will have heard that there are over 20 million square feet of vacant office space in downtown Toronto today and why can't WCB utilize that space. It's quite simple: There is no contiguous space that can accommodate the WCB's requirement.

Today, one would be lucky to find 100,000 square feet of contiguous space. We're looking for 500,000 square feet of

contiguous space, and it's simply not available. The space you hear about today is quite suitable for a small tenant—20,000, 30,000, 40,000 square feet—but you need to appreciate that it's spread all over the place; it is not contiguous. As soon as we lose contiguous space, it costs us money.

The Vice-Chair: Just on a point of clarification, if I may: By "contiguous space" you mean space that is adjacent to each other?

Ms Angove: That's right.

Mrs Margaret Marland (Mississauga South): Adjacent floors.

Ms Angove: Adjacent floors, right.

Mr Sorbara: All in one building.

Ms Angove: All in one building, adjacent floors all in one building.

The other problem we have in most facilities is inadequate floorplate size. There are some downtown office towers that do have floorplates of about 25,000 square feet, which is the minimum we're looking for, but most of them don't. That is a problem with many existing facilities, and it's certainly a problem for us here at 2 Bloor.

The Vice-Chair: Floorplate?

Ms Angove: The size of the floor, the perimeter of the floor.

The Vice-Chair: On a single floor.

Ms Angove: That's right. The reason we need large floorplates is to allow staff who need to work together on the same floor to be located on the same floor. As it is today, staff must run between floors, because we can't put everyone who needs to work together on the same floor. Of course, that aggravates the elevator problem and it means people are away from their workstations and are not doing the work. They're running between floors.

Mrs Marland: Excuse me. I would like some clarification for the same reason you did, Mr Chair.

You talked about the use of the electronics. Is it not with the electronic communications plus telephones? I guess I'm a bit confused about why you need all this space on one floor. I mean, are they really getting up and running from their VDTs to talk to each other on other floors?

Mr King: For some time the Workers' Compensation Board of Ontario has had complaints about service delivery: delays, inability to respond to the needs of the customers. In an attempt to respond to those demands for service, the board has broken itself down into 20 smaller compensation boards. About half of those compensation boards are in regional offices. If you go to Thunder Bay, Windsor, Sudbury, Hamilton or Ottawa you will find a compensation board complete unto itself except for some of the central support services that are required to do business.

The need for a large floorplate is so we can have one of our business operations in one cohesive area for all the efficiencies that creates, the rather unmeasurable one being morale, which is very difficult to maintain in an operation of 5,000. Morale affects service delivery, the communication that has to exist so that files don't end up being lost. That causes problems for ourselves and for yourselves as MPPs,

who are often the first in line for complaints, so it's really business need requirements.

Mrs Marland: You did say the files are all done on computers.

Mr King: The majority of our files are now on what is called imaging technology, which is electronic files. They can be reproduced on electronic screens.

1420

The Vice-Chair: Might I suggest we just carry on with the briefing session, and apart from points of clarification, we'll ask questions after the entire briefing is over. I think that's probably the most efficient way to proceed.

Ms Angove: If I could just add, the other point is that not all of our business is handled through technology. Certainly all of the claims files are on technological systems, but much of the business is also not on technology and is handled through staff meeting together and working through issues. For instance, policy development would be an area.

Some of the additional costs for WCB in relation to occupying space that cannot support the operation: These are costs that we incur currently at 2 Bloor Street East and we would incur if we were relocated to a facility that could not support the operation, a typical office tower downtown.

Elevator waiting time as a system was not designed to accommodate staff and visitor demand. We have determined through traffic consultants that the time spent waiting for elevators at 2 Bloor Street East is about one hour per employee per week longer than it will be at Simcoe Place. That equates to approximately \$6 million and the equivalent of about 100 staff. I will talk a little bit later about what that impact is on service delivery.

The other major cost to us is equipment downtime due to power interruptions and problems with the cabling system. There's also a cost associated with downtime because it damages the equipment as well, so there's a need to replace equipment more when it has been down several times.

Workstation relocation is common at WCB because of the size of the organization. Currently, it costs us either to have the equipment down during the day while we are relocating the workstation, or we pay overtime to have it done at night. It takes us a couple of hours to poke cables through the ceiling. That is something we wanted to rectify at the new facility and we did that through something called access flooring, which I will be talking about later, which basically eliminates those costs.

Other costs include additional equipment and resources as a result of the limited floorplate size. Brian mentioned the loss of economies of scale when you have to have people separated and working on different floors. The more floors you occupy, obviously the more support staff you need and the more equipment you need in the way of faxes, printers, photocopiers etc. Larger floorplates allow us to economize on equipment, staff and resources basically.

In addition, because of the lighting problems that we have at 2 Bloor Street East, we have a major problem with glare on our video display terminal screens that contributes to absenteeism. Research has shown that the glare resulting from lighting on VDT screens contributes highly to absenteeism

for VDT users. It's a major problem for us that we again want to rectify in the relocation.

I'd like to talk a little bit about the cost implications of the relocation. From an investment standpoint, the transaction does meet our investment criteria for the investment fund and will provide a favourable return.

From the tenant perspective, basically there's a redistribution of the administrative budget. The net rent per square foot at Simcoe Place will be comparable to the net rent per square foot with our lease commitments at 2 Bloor Street East. In our last year at 2 Bloor, we will be paying \$26 per square foot. At Simcoe Place, the current rate based on our latest estimates in the latest financing proposal is approximately \$26.90 per square foot. With the parking revenue offset, that is reduced to \$25.22 per square foot. So in fact in our first year in Simcoe Place, our effective net rent will be less than our last year at 2 Bloor Street East.

Mrs Marland: Could you just give us those figures?

Ms Angove: Certainly. We will be paying \$26 per square foot in our last year at 2 Bloor Street East. The net rent at Simcoe Place, which will be fixed for 20 years, will be \$26.90, and that will be offset by our pro rata share of parking revenues, bringing the effective net rent down to \$25.22 in the year 1995. By the year 2015, because those parking revenues will increase, the effective net rent will be reduced to \$23.67, so in fact our net rent goes down over the 20-year term as a result of the revenues from the parking.

Mr Sorbara: You mentioned the last year of renting 2 Bloor Street East, which is when?

Ms Angove: In 1995, the year that we're moving.

Mr Sorbara: Who's the owner of the building?

Ms Angove: Bramalea and Canaplan.

I mentioned that the net rent is fixed for 20 years and offset by parking revenues. The other point to make is that the operating costs at Simcoe Place will be comparable to the operating costs we are incurring at 2 Bloor. In fact they may be slightly less because of the energy-efficient systems that we will have at Simcoe Place. There will be an increase in overall space leased at Simcoe Place, and that is offset by the reduction in costs associated with the building systems.

I would like to point out that the board of directors requested that we increase average workspace per person because they recognize the problems we are having at 2 Bloor with the cramming of people in the current space. So we have increased the space per person for non-management staff only. I do have a slide on that which we can talk about later if you like. That increase puts us at the very low end of average workspace per person compared to other government organizations and other industries.

Mrs Marland: What is low?

Ms Angove: It's an average workspace per person. The individual workspace is 35 to 55 square feet per person; that's the individual workspace. The average workspace per person, which means the overall workspace divided by the number of staff, is 150 square feet per person. The average for most government institutions is about 220 square feet per person. That does not mean that each person gets 220 square feet or 150 square feet. It means your workstation plus your share of

common areas, meeting rooms, aisle space etc. It means that your allocation is approximately 150.

The Vice-Chair: Mr Callahan had a point.

Mr Robert V. Callahan (Brampton South): No, I'm prepared to wait. I was just putting up my hand.

Ms Angove: The overall impact of the cost implications as a result of this transaction is that there will be no impact on employer assessment rates and no impact on the unfunded liability. In fact there is a potential for net savings for the WCB over time. You can see that with the net rent alone. Our net rent goes down over time to quite a bit less than what it is at 2 Bloor.

Mr Sorbara: Just a point of clarification on this page. You mentioned, if I could look at Margaret's notes, the first year of rent in Simcoe Place, which is what?

Ms Angove: The net rent before the parking offset is \$26.90. With the parking offset—

Mr Sorbara: That's a little bit more than your last year of rent with Bramalea.

Ms Angove: Not with the parking offset. With the parking offset, it comes down to \$25.22.

Mr Sorbara: Could you tell the committee what offer you have had, what you would be able to renew your lease at 2 Bloor Street East for?

The Vice-Chair: The questions, I think, we can leave till after the briefing.

Mr Sorbara: Mr Chairman, with respect, this is an important comparison because the suggestion was made on this page that the rent in the last year of the current lease would be about the same as the first year in the new lease, but the reality of the marketplace in the greater Toronto area is that the first year of a new lease at 2 Bloor Street East would probably be a net rent of zero dollars per square foot. I think that should be included on this page with those figures that were submitted to the committee.

Ms Angove: We have not had—

Mr Sorbara: If I may ask—

The Vice-Chair: Order, please. That, I think, would flow as a discussion that can be following up on the briefing session, so I think I would allow that question to be asked once the briefing is over. Otherwise, we're going to get all kinds of questions. Unless the committee wishes me to proceed in that fashion, I think we'll go forward.

Mrs Marland: No, we'll do the briefing first.

The Vice-Chair: Okay, fine. We'll hold the question that Mr Sorbara asked on reserve and you can answer that following the briefing.

Ms Angove: We'd be happy to address that.

By participating in a design-build option, we've been able to ensure that all the deficiencies that we incur at 2 Bloor Street East and all the costs associated with those deficiencies that contribute to occupancy costs are eliminated. So what we've done in the design-build for Simcoe Place is to add a bank of elevators. There are three podium floors at Simcoe Place. These are large double floors and they have their own separate bank of elevators. They will have three additional

elevators, which, as I mentioned earlier, will obviously reduce the waiting time for elevators significantly.

1430

I mentioned that we've added a third podium floor. That allows us to put two integrated service units on the same floor, allowing us to share interview, reception and waiting space as well as to economize with the sharing of support staff, equipment etc.

We've added access floors to house our voice and data cabling. I mentioned earlier the problems we have with pulling cables through the ceiling. With access floor—this is a six-inch subfloor—all the cables are housed below the floor. If you relocate a work station, it's like unplugging a lamp and plugging back in. There's no downtime at all associated with it.

The other aspect of access floor is that we currently have a safety problem at 2 Bloor with the number of cables on the floor. Particularly when you jam a lot of people close together, there's a lot of cabling that creates unsafe work conditions. With access floor, all the cabling is housed below the floor, so that eliminates that problem.

Mr Sorbara: Couldn't be worse than it is in this building.

Ms Angove: I haven't been through this building.

Mr Sorbara: Just have a look. All the walls are alive with cables everywhere, some new, some old, some active, some inactive.

Mr Callahan: Maybe we should build a new building.

Mr King: Perhaps the Workplace Health and Safety Agency should come in and check it out.

Ms Angove: Perhaps we could lease you some space.

The other thing we've been able to do is change the base building lighting system that was originally incorporated in the design of this facility. We have found a lighting system that not only eliminates glare on the VDT screen but is quite energy-efficient, to the point where we need half the number of light fixtures that you would in the original base building system. So that will contribute to a reduction in our operating cost.

We've been able to add structural loading where required. We've been able to add washrooms in the high-client-use areas, which is a problem at 2 Bloor as well that I didn't mention earlier.

We've been able to add specific services in the lobby so that if an injured worker comes in and doesn't have a claim number, doesn't know where to go, he can get immediate service in the lobby. That's part of our commitment to improving service delivery for injured workers and employers, and employers will be able to obtain basic services in the lobby as well.

The other thing we've been able to do is add our own diesel generator at Simcoe Place to give us the emergency power that we need to eliminate the problems that are caused as a result of power interruptions and also to extend the life of our equipment.

A final benefit that we have with relocating to a facility that has been designed to accommodate our requirements is the potential for additional efficiency gains. We've been working with a productivity consultant, an individual who has done work in productivity for the past 20 years. He specializes in productivity in the workplace. He is helping us

now look at the more basic areas of design of the workplace to ensure that all the decisions we make about designing the workplace for WCB will be made with the productivity factor in mind.

He says that if you did everything right, if you provided a very supportive work environment, the dollar value of the benefits could be up to 5% of annual salary for workers in all job categories. For us, that equates to \$3.2 million to \$7.9 million annually that one can appreciate the benefits of if the workplace is designed properly to support productivity and to support the operation.

That ends the briefing. I do have additional information on various subjects, but perhaps you'd like to go to questions.

The Vice-Chair: Okay, we'll open it up to questions.

Mr Tilson: Mr Chairman, on a point of order—

The Vice-Chair: I'm sorry. We're going to go to questions. Mr Tilson, do you have a point of clarification?

Mr Tilson: I'm just concerned about the procedure that you're going to follow. Are you going to allow a time limit for each of the three parties or are you going to just let someone start and spend the rest of the—

The Vice-Chair: Well, we can proceed in that fashion, if you like. I think we have ample time left to us to just allow each of the parties on a rotating basis a question each. We can see how far we go with that and then I'll try to divide the time as we see fit. There's at least an hour and a half left to us, so I think—

Interjection: And tomorrow morning.

The Vice-Chair: —and tomorrow morning, so I think we can proceed on that basis. Mr Duignan.

Mr Duignan: On the same point, I think it may be fair at this point just to allocate a half-hour to each party on a rotating basis, and if there's any extra time after that, then take it on an individual question basis.

The Vice-Chair: Does everyone agree to that? Okay, then we can proceed with the Liberals first, then the Conservatives and then the government. We will have approximately a half-hour, which will bring us to 5 past 3 for the Liberals, and then the Conservatives can take over from there; following that, the government will have its turn. Is that okay? I'll allow Mr Callahan to go first.

Mr Callahan: I'd like to get a handle on a few details. What's the total square footage of this proposed building?

Mr King: The total square footage of Simcoe Place is 700,000 square feet.

Ms Angove: It's 755,000.

Mr Callahan: And you're going to occupy how much of it?

Ms Angove: Seventy per cent of it, 525,000.

Mr Callahan: I noticed that TVO had plans to build and a couple of others in the private sector: Blue Cross, the Ontario Hospital Association and Revenue Canada. Were there any discussions with any of these people about joining in this endeavour?

Ms Angove: No, there were not, but I do understand that the developer responded to a proposal call from TVO—I don't know about the others, whether they responded to those

or not—where they would put forth a submission to sublease remaining space, but the WCB did not enter into any discussions with any of those organizations.

Mr Callahan: This is a done deal, I gather.

Ms Angove: Yes, it is.

Mr Callahan: When was the contract signed?

Ms Angove: It depends what aspect of the contract you're talking about.

Mr Callahan: We know the board of directors decided on this in March 1991. When was the actual contract—

Ms Angove: All the transaction was executed in June 1992.

Mr Callahan: You've indicated that before doing that you put out for proposals and received 75 proposals from various owners of premises.

Ms Angove: I'm sorry; it was 75 inquiries, 34 submissions.

Mr Callahan: You were looking for a specific type of accommodation. Do you not think it would have been wiser to have had a real estate agent or agents go out and try to locate these for you specifically?

Ms Angove: We felt it was important to follow a public tender to be able to ensure that everyone had an opportunity to submit his proposal rather than approaching specific developers regarding specific sites. We were committed to following a public tender process. We did have the assistance of Royal LePage Real Estate consulting services during that tender process to help us evaluate the submissions.

Mr Callahan: You're saying that out of 34 proposals you weren't able to find one that fit the criteria?

Ms Angove: That's right.

Mr Callahan: I see. Now, how is this going to be funded?

Ms Angove: The financing proposal is currently under discussion.

Mr King: The funding for the building is presently being worked on. It is too early at the present time to give the final indication of how the funding will break down in detail. We have received a proposal, we have responded to the proposal and we haven't received a counter-response at the present time. Let me indicate that it will involve some equity from the WCB's investment fund and it will involve some mortgage.

Ms Angove: If I could just add to that, there's one point I did not mention when I was talking about our rent as tenant. The rent really does two things for us at Simcoe Place: It not only covers our occupancy cost as a tenant, but it also subsidizes the investment side of the transaction. It does double duty, if you will, unlike our current situation, where we pay rent to a third-party owner, Bramalea and Canapen, and we don't see that money again. In this transaction, the rent not only covers our tenancy, but it also subsidizes the investment for the investment fund. I think that's an important difference between any lease situation and the current transaction we've negotiated.

1440

Mr Callahan: I think the Chairman wants a point of clarification.

The Vice-Chair: Just a very brief question on a point of clarification: You said you would have some equity position and then there would be a mortgage flowing from that equity position. Can you clarify what exactly the details of that are?

Mr King: The details aren't yet finally known. I believe it's April 1 when the financial arrangements have to be finalized, and we only received the proposal on financing about 10 days ago, responded to it, and haven't received the counter-response.

The Vice-Chair: Just to get the position clear as to what the WCB will own in terms of its position in this—

Ms Angove: It will own 75% of the office tower and a prorated share of parking related to that.

The Vice-Chair: So that's your equity position in the corporation that's been established?

Ms Angove: That's right.

Mr Callahan: You've indicated in your brief to us that there would be no impact on employer assessment rates and on the unfunded liability of, what, \$11 billion, I think it is now? Is that an ironclad guarantee so that employers out there can rest easy that there won't be any increase in their rates?

Mr King: The Ontario Workers' Compensation Board has a pension fund or an investment fund of some \$6.5 billion. We have to have real estate as part of that total investment portfolio. Under rules of the Pension Benefits Act, 82% of the total investments have to remain within Canada. Most investment funds of this size have their portfolio broken down between bonds, equities and real estate. The real estate part of our investment branch has many real estate ownership positions. This would be one of the real estate ownership positions they would take, and it would form part of the portfolio of the WCB.

There was an article in today's Financial Post by one of the commercial real estate experts, who indicated that real estate is still a very valuable investment as a hedge against inflation. So what we're doing is similar to what OMERS, the teachers' fund and a lot of the other funds are doing. We're involving ourselves in real estate as part of the \$6-billion investment.

Ms Angove: The other thing I wanted to point out, following up Brian's point, is that most workers' compensation boards across Canada own their head office facilities in whole or in part, and some of them have entered into a very similar transaction to this, where the investment part of WCB invests in the office tower that the operations occupy. For instance, Saskatchewan has just entered into that kind of transaction. They have just relocated into a building where they occupy a significant portion of it and their investment fund owns a piece of it. So this is not that unusual.

Mr Callahan: It seems to me that I recall reading somewhere in this material or in the newspapers that the Treasurer was not terribly happy with this whole arrangement and he said he was going to—I don't know whether he used the word "stop," but certainly look into it. Is the Treasurer any happier now, do you know?

Mr King: I haven't spoken to the Treasurer myself. I can't comment, other than what the media might have reported the Treasurer having said. I believe the chairman, Mr

Di Santo, may have spoken to him. I believe it was speculated, however, that the board is a corporate body and that it would probably require the removal of Mr Di Santo and myself as the appointed members of the board if the government wanted to force the issue. The board of directors has been supporting this all along.

Let me just stop for a moment. A very strategic decision was taken in 1990.

Mrs Marland: When in 1990?

Mr King: July 1990.

Mrs Marland: When the Liberals were the government.

Mr Callahan: Is that a partisan comment?

The Vice-Chair: It is a comment out of turn, I might add.

Mrs Marland: I want to be clear about when that decision was made.

Mr Sorbara: The Liberals were in government and things were much better then.

Mr King: A strategic decision was taken as to what to do for future facilities for the Ontario WCB. Contracts were entered into, contracts that probably could have been broken at some point in time without as much downside risk for being sued. None the less, contractual arrangements had been made and the board would have been put into a difficult position.

Entering into a strategic situation like that, do you expose the board to short-term expense of unknown amount by breaking a deal, when in fact what you're really saying is, "We don't vote for the future of Ontario because we think it's not going to recover etc," by breaking this deal? If you look upon this as a very strategic deal that was a good decision in the first place, then does a temporary downturn in the economy make it a bad decision?

Mr Callahan: I want to address that, if I could. I think the biggest problem here is the appearance. When you've got something like \$42 billion worth of commercial real estate out there on the verge of being decimated or taken up by the banks under power of sale and you're building a new building, people look askance at that.

I also want to go to the question—one of the reasons was that you would be closer to transportation. Are you closer to the subway or to transportation than you are now?

Ms Angove: We are more accessible to different types of transportation modes at Simcoe Place than we are at 2 Bloor.

Mr Callahan: What's the closest subway stop?

Ms Angove: St Andrew and Union Station. We will be accessible to both.

Mr Callahan: How far is that from the building?

Ms Angove: Walking? I believe it's about 1,200 feet. It's the same distance to walk from St Andrew subway station to the lobby of Simcoe Place, if you walk outside, as it is to walk from the closest parking space at 2 Bloor to our lobby at 2 Bloor.

Mr Callahan: The subway runs right into the building at 2 Bloor, doesn't it?

Ms Angove: Yes. There is no question that the location at Yonge and Bloor is excellent. We're very happy with the location. That is not why we're relocating.

Mr Callahan: I want to give some time to my colleagues. I've seen Revenue Canada's building on Adelaide Street. It's very much akin to the needs you have. It services in a similar fashion, albeit a different type of activity, but it's small working stations for individuals, a large, full-floor surface. Is that not right?

Ms Angove: I'm not familiar with the facility. They did not respond to the proposal call. I can tell you they likely do not have the elevator capacity, because it would not have been designed to accommodate the traffic flow we bring into a building or the number of staff we have. They would not have access to accommodate our cable requirements, they would not have the lighting system required for our technology and they would not have the emergency power.

Mr Callahan: How can you say that if they didn't respond?

Ms Angove: Because it was not designed to accommodate an organization like the WCB.

Mr Callahan: Then you must have investigated that building, did you, in order to be able to make those comments?

Ms Angove: No. I'm saying that typical office towers like that one are not designed to accommodate the requirements of an organization like WCB. I don't know that Revenue Canada gets 152,000 visitors per year or has the amount of technology that we do or has the emergency power required.

Mr Callahan: They certainly seem to be able to keep track of everybody, so I would imagine they've got all sorts of technology. As far as visitors, I would think they probably receive as many visitors as you people do.

Mr King: I don't know the question—

Mr Callahan: I wanted to know why the Adelaide building wasn't looked at. It seems to me it would be a good swap. You could probably swap it with the feds and get a very much more accommodating arrangement than what you've got now. At least that's my impression. I'm going to yield to the member for York Centre.

Mr Sorbara: How would you describe the real estate market in the greater Toronto area?

Mr King: Awful.

Mr Sorbara: Are you aware that there is more vacant commercial space in Metropolitan Toronto than there is in the city of London, including Canary Wharf? Are you aware that it's that bad? There's more vacant space in Metropolitan Toronto. Do you think it's socially responsible for the WCB, given the current economic crisis, particularly the deflation in value of commercial office space in Metropolitan Toronto, for the board to be encouraging the addition of 725,000 square feet of office space in the Toronto core at this time?

Mr King: Was that a question?

Mr Sorbara: Do you consider it socially responsible?

Mr King: The board made its strategic decision in 1990 to build an office building which would be both an investment for the investment fund plus suit the board's business needs.

1450

Mr Sorbara: Yes, I appreciate that. There are other people who actually started office buildings at that time and capped them because they realized the market had changed dramatically.

How many integrated service units are there at 2 Bloor Street East now?

Mr King: There are 9 or 10.

Mr Sorbara: Isn't it true that each of those integrated service units, like other regional offices, could, as you say, operate independently and needn't be one next to another in one head office building?

Mr King: Yes. We could have a decentralized situation with integrated service units. Our findings are that decentralizing an integrated service unit is far more expensive than having a central location.

Ms Angove: If I may also add, the board of directors felt it was important for us to provide better services for employers as well as injured workers. A number of those units cover a large area, for instance, the construction unit, complex case units for injuries and diseases. If an employer comes in and has a case in Toronto west, but also has a case in the complex case unit, it can come to one location to have those cases dealt with, as opposed to travelling to various offices. So it was important for us to service not only the employers but the workers as well.

The Vice-Chair: Perhaps I could interrupt for just a second. There's been some discussion with respect to the kinds of consultation papers you've had conducted for yourselves in order to make this decision. It would be of great service to us and a great deal of assistance—I'm speaking on behalf of the whole committee in taking this prerogative—to be provided with some of those background papers. Having had an earlier discussion with our researcher, we found that there's a lack of information available to us with respect to the kinds of decisions you have made. So if you have any background documentation or papers that you can make available to us, we would request that. It would be very helpful if we could have that.

Mr King: Certainly, we can comply with anything other than what might have come in as a privileged private tender document.

The Vice-Chair: Yes. I'm talking about feasibility studies or consultation papers that were conducted on your behalf. I understand there were three consulting firms that made studies available to you. If you could make those available, we would appreciate it.

Mr Duignan: I'll add time to this if it's a point of clarification on this point.

Mr Duignan: If we going that route, we could have some of the documentation that led to the decision of the board of July 1990 as well.

The Vice-Chair: Back to Mr Sorbara and others. We're out a couple of minutes.

Mr Sorbara: I want to get back to the question I asked in the middle of the presentation, and that is to find out from you what quote you received from your current landlords, at what rate you could renew your lease at 2 Bloor Street East.

Mr King: Obviously, when you're entering into a strategic project like the Simcoe Place project you must provide certain guarantees, as a developer, a banker and a tenant. One of the things that was done at the time the decision was made to proceed was that the WCB would look into no other options while the detailed planning was going into Simcoe Place. It is quite likely, given what's going on elsewhere around Toronto, though, that we could get a very favourable deal on the rental space.

I'm not too sure you have given full account of the previous description of why 2 Bloor is so unacceptable from a business point of view. All one has to do is come to 2 Bloor at 8 o'clock in the morning to see hundreds of people trying to get up in the elevators in the building to see that it is an unacceptable facility for our business. There may be other empty spaces we could get at less cost. I don't believe myself that we could get 20 years or guaranteed business space that will suit our business and provide us with the ability to provide this sort of quality service that Ontario, on the one hand, demands of its WCB.

I sat before another committee of this Legislature explaining why service delivery is not as good as it should be at the WCB and spent a lot of time being criticized because we weren't providing a good enough service. I think what we're tried to show through the brief presentation is that our physical layout does not allow for the kind of service that Ontario demands.

Mr Sorbara: I'll just tell the Vice-Chairman that for two years I was the minister responsible for the WCB in Ontario. On a number of occasions I had meetings in the corporate boardrooms of 2 Bloor Street East at 8 o'clock and I am familiar with the delay. My own assessment of the market is that you could abandon this deal and renew your current lease for zero rent per square foot for the first four years and thereafter perhaps \$5 or \$6 per square foot for the balance of a 10-year lease.

On that basis, you could move three or four integrated service units out of 2 Bloor Street East and locate them elsewhere at similar rents in the greater Toronto area; that is, at zero dollars per square foot for the first four years and \$5 or \$6 for the balance of that time. Having done that, you would reduce the pressure on the elevating system and you would reduce the general pressure within the building, even leaving those floors vacant. We have seen no cost figures that the board has generated to solve the problems it has at 2 Bloor Street East other than by building a new palace, which will not help the clients of the WCB but provide optimum conditions for the workers at the WCB.

I want to say to the Chair that I have nothing against improving the working conditions of the workers at the WCB, but this is an extravagant proposal. Renting office space, adding to the glut of office space in the greater Toronto area at this time in this market is socially irresponsible and is not something an agency of the government of Ontario should be undertaking.

All of these problems could be solved and can be solved in a far cheaper way even if you vacated half of your current building and renewed the lease and placed those integrated service units elsewhere. It's just inappropriate for you to be doing what you're proposing to do at this time.

I plead with you to come before this committee and tell us the cost of getting out of this contract, which is not a completed contract, because you've already testified that the financing arrangements have not been finalized. If the financing arrangements are not finalized, there is not a binding contract which, if you breach, will give rise to liability on the part of the WCB.

Mr King: There are three law firms in Ontario that might disagree with you, because that's how many firms are involved from the WCB's side. I myself asked for a third firm to become involved in addition to the firm that was looking at the facility from the point of view of the investor and from the point of view of the tenant. I don't think anyone can tell you with any certainty what the unknown of breaching a contract such as this would be. My own consideration would be that it would be very expensive.

Mr Sorbara: We would like to see evidence as to what the potential liabilities are and the advice of your lawyers, if that could be provided.

Am I to take it then that there was no inquiry made at any time as to what offer would be made by your current landlord, should you determine—

Mr King: Our current landlord made several approaches wishing to enter into that kind of a discussion. They were prevented from doing so by the terms of the agreement. As I indicated, when you enter into an agreement on a development like Simcoe Place, you agree to be somewhat of a constant companion rather than a fickle-hearted person who is going to run and look at other space.

Mr Sorbara: I'm asking you what inquiries were made before you entered into that agreement with Simcoe Place.

Ms Angove: Can I just answer that?

Mr King: I wasn't there yet at that time.

Ms Angove: Bramalea did not respond to the tender call with 2 Bloor Street East as a potential site for WCB, so it was not part of the tender to even consider in the beginning.

Mr Sorbara: Surely, in comparing whether or not you will enter into an agreement with the people at Simcoe Place or renew your current lease, you would make inquiries of your landlord as to what it might cost in a renewed lease on a per-square-foot basis.

Ms Angove: It was our understanding that Bramalea wanted the WCB to vacate that building because it needed to retrofit it. The costs to retrofit that building are approximately \$60 per square foot or approximately \$35 million to \$40 million. That retrofit will not give us additional elevator capacity, it will not give us access floor and it will not give us emergency power backup because They cannot put that in the building.

Why would we have discussions with Bramalea to stay in a building that simply costs us too much money to occupy? It costs us much more than net rent, even if it was zero net rent. There are many costs that we incur with downtime. It's not only loss of service delivery. We're paying people to sit there while their equipment doesn't work. There's a cost associated with that, and it's millions of dollars every year. You may be paying zero net rent, but you're paying a lot of money out of

the other pocket for people to sit and do nothing while their equipment is down.

There is nothing you can do to improve that building. We relocated our data centre offsite to try to help improve it. We relocated our microfilm functions offsite. We relocated the print shop and we relocated final files. To the extent we could make that building better for us, we have done everything we can do.

1500

Mr Sorbara: Why haven't you considered relocating some integrated service units offsite?

Ms Angove: Because it costs more money to decentralize and duplicates service that you can offer in a centralized facility. Plus, if you want to give those people the kind of work environment that we require—I'm talking about an emergency backup system, appropriate lighting, appropriate access flooring etc—you would pay to retrofit any existing facility in the suburbs, if that's what you're talking about relocating to, and that is very costly to do.

Mr Sorbara: I'm sorry; I've visited many of the board's sites around the province and they do not have the kind of flooring, the kind of lighting you're demanding in the head office. What you say about relocating an integrated service unit is thoroughly inconsistent with the very philosophy of integrated service units, and that is their ability to stand alone and serve comprehensively the needs of the clients, the workers and employers of the board.

I could be satisfied on this whole thing if you could bring us the documentation, the analysis and the costing that you did to solve the myriad of problems that seem to exist at 2 Bloor Street East and the alternative methods of solving those, including staying in the building. We haven't seen anything about that. You made no inquiries with Bramalea as to how much it would cost to stay there.

Ms Angove: We worked with Royal LePage real estate consulting services on that. The individual consultant we worked with is an architect. He worked with us, not only on evaluating the problems at 2 Bloor, but evaluating the potential retrofit cost of the existing site that's submitted in the proposal call. It was very clear that the cost to retrofit far exceeded the cost to relocate to Simcoe Place.

Mr Sorbara: What about moving out some of the integrated service units to a new location?

Ms Angove: We discussed that with the board of directors in July 1990, the pros and cons of remaining centralized versus decentralizing. There was an agreement at that time that it made much more sense to remain centralized. One of the problems in decentralizing the integrated service units in this geographic area is that it's just too small. It's not like the London regional office, where someone can move from one area to another and is still serviced by the London regional office. In this geographic area, you can work in Etobicoke and live in Scarborough, so where do you locate the integrated service unit? Is it located close to the injured worker or close to the employer? What happens when that worker moves? Do you relocate that person to another integrated service unit? It becomes very complicated and an administrative nightmare to try to do it, because the geographic area is just too small.

Mr Sorbara: I'm just suggesting to you—

The Vice-Chair: Mr Tilson has a clarification, if I may interrupt.

Mr Tilson: I just wondered if my name was on the list.

The Vice-Chair: Oh, I'm sorry. Carry on, please.

Mr Sorbara: I'm suggesting to you that the problems of overcrowding and pressure on buildings is because there hasn't been any attempt to decentralize the main office functions from the integrated service unit functions of the WCB, so that within the facility that accommodates a head office you have the very heavy traffic patterns of an integrated service unit. An analysis should have been done and considered for decentralizing those areas, particularly given the terrible glut of office space right through the greater Toronto area.

I appreciate that in July 1990 the board perhaps wasn't aware of the impending crisis in commercial real estate in the greater Toronto area, but that reality having developed, surely to God the Workers' Compensation Board ought to have re-evaluated whether it was doing the appropriate thing, in the best interests of the board, firstly, and in the best interests of the economy of the greater Toronto area and the province of Ontario.

I'll tell you that there are buildings in Toronto of 400,000 or 500,000 square feet that have a current market value of zero. They are worthless. No one will buy them. No one will take over or put their name on the title or take over the management cost of those buildings. If that's the case, the board is investing in a building which, in the absence of the board's tenancy in that building, could not be built and would have very little value given the current and future market, say the next five or six years, in the greater Toronto area. I just want to say to you that I think it's socially and economically and commercially irresponsible of the board to do that.

Mr King: There are private partnerships here who were involved in 25% of the total cost of this project. Presumably if the market feels that this is not a proper project to go ahead, then neither will the financing come forward nor would the private partners be prepared to come forward.

I don't doubt your words that this is a bad time to be going ahead and proceeding with this. I again move it back and tell you that a project that had to come into place in 1995 was begun in 1990. Do you blink at this point in time, as you're suggesting we blink at this point in time, and say that because of the empty space, because there are landlords out there that want us as a tenant, we should proceed to go off our strategic plan, which is minimally a 20-year plan?

Mr Sorbara: What I'm suggesting to you is that the decision of the board of directors of the Workers' Compensation Board was made at a strategically important time for the board of directors, knowing that the province was going into an election and that their decision would not be highlighted or reviewed. In July of 1990 it was apparent to everyone that there would be an election.

The election having taken place and a new chair having been appointed and a new vice-chair having been appointed, the whole question of whether or not to relocate and reorganize the board on a different basis so as not to create an overburdened head office should have been examined on the basis of real, hard evidence and data. That hasn't been done yet, or

at least we haven't seen copies of it. Given that that hasn't been done, it should be done and this deal should be put into abeyance or put on hold until that work is done.

I have no further questions or comments, Mr Chair.

The Vice-Chair: Well, I don't know if there's—

Mr King: I don't think there was a question, myself.

The Vice-Chair: You don't have to answer or you don't have to comment. I think there are actually a couple of minutes left for the Liberals, but we'll move on. You can take that later if you like. Mr Tilson is next, and we'll move to the Conservatives' half-hour.

Mr Tilson: As I understand it, you indicated the contract was signed in June of 1992. Is that what you're saying?

Ms Angove: The full transaction was executed in June of 1992. That's right.

Mr Tilson: That's the contract between the Toronto-Dominion Bank and the developer, which is—

Ms Angove: Cadillac Fairview.

Mr Tilson: —Cadillac Fairview—and WCB?

Ms Angove: That's right.

Mr Tilson: Was there a series of contracts, or was that the contract?

Ms Angove: No. There are a series of contracts for the investment fund. There's a series of contracts, then, for the tenant, our series of contracts.

Mr Tilson: Are you able to make copies of all of those contracts available to the committee?

Mr King: I will have to take that under advisement pending discussion with the legal people. I simply don't know whether there are some confidential aspects of it, but certainly, if there are not, I'm perfectly willing to share those.

Mr Tilson: What could be confidential? It's a \$200-million venture that is quite controversial.

Mr King: Well, \$200 million is the figure that was quoted as the high end to the project. It has come in at lower than \$200 million once the tenders were let.

Mr Tilson: But we won't know that unless we see the contracts.

The Vice-Chair: Might I suggest, if possible, that if there's some sort of confidentiality requirement, either the auditor look at those contracts in confidence or we can go in camera to look at whatever documents cannot be made public, for that purpose.

Mr Tilson: Well, Mr Chairman, I would propose that whatever contracts they feel can be made available—I think we're entitled to know what contracts you're not going to make available to us, if there are any, and we could discuss why. Hopefully you would make them all available to us.

Mr King: Hopefully.

Mr Tilson: Now, you indicate that that is when the series of contracts ended, in June of 1992?

Ms Angove: Yes.

1510

Mr Tilson: And the first one was when?

Ms Angove: The first commitment by WCB was in March 1991.

Mr Tilson: All right. And when was the commitment to purchase these lands made?

Mr Callahan: They don't own them. They're leased.

Mr King: They're leased lands.

Mr Callahan: The CBC owns them.

Mr Tilson: So the WCB will not own the lands on Simcoe Place?

Mr King: That's correct.

Mr Tilson: Strictly, all you're going to be doing is leasing those lands?

Mr King: That's correct.

Mr Tilson: And you'll make available to us the copies of all of those leases?

Mr King: With the aforementioned caveat, yes. I don't believe there is any problem with releasing them, but I would like to just make absolutely certain so that I don't mislead the committee.

Mr Tilson: Have those leases been signed?

Mr King: I'm not too sure which leases you're referring to.

Mr Tilson: Any of them.

Ms Angove: The ground lease certainly has been signed, and our commitment—

Mr Tilson: You're going to be leasing, you said, 70% of the building. Is that not correct? Is that what you're saying?

Ms Angove: Yes. Our commitment to lease has been signed.

Mrs Marland: Excuse me. A commitment to lease has been signed?

Ms Angove: That's right.

Mrs Marland: Does that mean the lease has not been signed?

Ms Angove: The actual lease, you're right, has not been signed. The agreement to lease has been signed.

Mrs Marland: That's important to know.

Ms Angove: It binds us in the same way the lease does.

Mrs Marland: Thank you.

Mr Tilson: So the building will be owned by a numbered company? Who's going to own the building?

Mr King: The building will be owned jointly by the WCB of Ontario and by a partnership of Cadillac Fairview and the Toronto-Dominion Bank. They're roughly 12.5% owners each and we're 75% owners.

Mr Tilson: So WCB will own 70% of this building.

Mr King: The WCB investment fund will be 75% owner.

Mr Tilson: Did you obtain the order in council pursuant to section 64 of the legislation?

Mr King: No, the Workers' Compensation Board received at least two and probably three legal opinions that it did not have to seek the approval of the Lieutenant Governor in Council.

Mr Tilson: So you don't feel there's any accountability necessary with respect to this venture to the government?

Mr King: Several days before I started as the vice-chair of administration of the Ontario WCB, the board of directors voted on that stage of the project. Included in that were the legal opinions that they did not have to seek the approval of the Lieutenant Governor in Council.

Mr Tilson: Have you or anyone on the board had any discussions with the current Treasurer or any other Treasurer with respect to this venture?

Mr King: I have had no discussions with the Treasurer. I can't know whether anyone else at the board has had any discussions with the Treasurer. I believe the chairman of the board, Mr Odoardo Di Santo, perhaps had some discussion with the Treasurer.

The Vice-Chair: Mr Tilson, I've just had a request for a point of clarification.

Mrs Marland: Can I just say, if we keep interrupting each other, we don't end up with equal time, and I'm very anxious to ask questions too.

The Vice-Chair: I'm trying to be consistent, Mrs Marland. I interrupted Mr Sorbara on a couple of occasions, and I will add some time to Mr Tilson in order to accommodate reasonable requests.

Mr Callahan: I don't mean to interrupt you, Mr Tilson, but I wanted a clarification on that. I thought you said along those lines that you consider yourself an independent body. If the Treasurer interfered, it would require your resignation and that of Mr Di Santo.

Mr King: No, I believe that was speculation, perhaps by either the media or some third party, not myself.

Mr Callahan: I thought you said that. That was why I wanted clarification.

Mr King: I said it had been speculated that the government would remove Mr Di Santo and myself.

Mr Callahan: Okay. Thank you, Mr Tilson.

Mr Tilson: Has the deed been signed? Has the deed passed between the three groups?

Ms Angove: Yes, it has been executed.

Mr Tilson: Executed and registered on title?

Ms Angove: Yes.

Mr Tilson: When did that take place?

Ms Vivian Varnam: June 1992.

Ms Angove: It was registered June 1992.

Mr Tilson: Okay. Getting back to when all of this started, somewhere there is a reference to 34 proposals.

Ms Angove: Right.

Mr Tilson: Can we have copies of all of those proposals?

Mr King: Those were the proposals given to us in good faith by private developers, and I'm not too sure it would be fair at this point to have their private strategies made public. But perhaps by whiting out who the developer was, if we could make them anonymous, certainly that would be a possibility.

Mr Tilson: I can tell you, sir, that this venture that you have got into is an amazingly controversial issue. I think we're entitled to know whether any of these proposals would have put forward facilities that could mollify your needs. You've explained all the problems that you have on Bloor

Street. There may be other alternatives, and I think we would like to know what those other alternatives are that have come to your attention.

Mr King: Those were alternatives that were looked at in 1990. There could in fact be more, given the increased empty space in the greater Metro area.

Mr Tilson: Dealing specifically with the 34 proposals, you will make those available to us?

Mr King: I have indicated that, provided it breaches no legal confidence, I see no difficulty with that.

Mr Tilson: When will you tell us whether or not you'll be able to give us any of the information you are seeking opinion on?

Mr King: Any holding back of information would be very limited and would be related to private contractual agreements of confidentiality, but I believe those to be very limited. I can let you know tomorrow on that.

Mr Tilson: All right. I suppose that would include any impact studies which you make available to us, copies of impact studies, feasibility studies that you may have undertaken.

Mr King: Yes.

Mr Tilson: Did you undertake any impact studies?

Ms Angove: On the 34 submissions?

Mr Tilson: Yes.

Ms Angove: Yes.

Mr Tilson: And you'll make those available to us?

Mr King: Again, there's no wish to withhold anything from the committee. You'll be informed tomorrow.

Mr Tilson: And with respect to reports from independent consultants which you've referred to, would they be included as well?

Mr King: Yes.

Mr Tilson: I guess one of the concerns we have—it may well have been that, because of the great availability of space, many of these owners of these buildings may have refitted many of these buildings to meet your needs for free or for substantially less than what you're suggesting. Was that pursued?

Mr King: Not since June of 1992.

Mr Tilson: Well, prior to June of 1992?

Mr King: Prior to June of 1992, the crisis in the real estate market was not apparent. It had been looked at in 1990, however, at the time of the original proposals being reviewed.

Mr Tilson: I find it difficult to understand what you're saying. However, I think Mrs Marland will have some questions in a moment. I just have a couple of other questions.

You stated that there will be no impact on the employer assessment rates and the unfunded liability.

Mr King: That's correct.

Mr Tilson: Do you have anything in writing that supports this conclusion?

Mr King: I don't know just what you mean by "anything in writing"—an actuarial projection, an accounting projection?

Mr Tilson: Absolutely anything, Mr King.

Ms Angove: The consultants' reports will confirm the return on investment.

Mr Tilson: You've made a statement. The employers are concerned that their rates are going to go up because of this tremendous structure that you're putting up.

Mr King: As I had indicated in an earlier answer, the Workers' Compensation Board of Ontario has a \$6.5-billion investment fund. About 7% of that fund is to be allocated to real estate under the board's investment strategy. In putting down some money in equity and borrowing the rest, it will not impact the unfunded liability. The amount put down for equity purposes would be money that would be put down on other real estate ventures, because it's part of the board's roughly 7% that's invested in real estate.

1520

Mr Tilson: Someone has told you that there would be no impact on the employer assessment rates. Can you provide us with the written statement or report that made you come to that conclusion?

Mr King: I'm the one who is involved, along with the other board members, in setting the assessment rates. The position of the investment fund making a real estate investment will not impact the assessment rates of Ontario employers.

Mr Tilson: You made a submission, presumably, to the board to advise it that there would be no impact on the employer assessment rates. Can we have a copy of that report?

Mr King: Again, you can have copies of all the reports, and if that is among the reports, you can have it.

Mr Tilson: Was the Downsview site examined as a possible site?

Mr King: We have looked at the Downsview site for some years now in terms of alternatives. The Downsview site simply has not the access. There is no way to get to the Downsview site except with a map. No public transit goes to the Downsview site.

Mr Tilson: We're talking about an amazing cost to put up this building at Simcoe Place. Did you consider a shuttle bus?

Mr King: You mean 150,000 people a year using a shuttle bus, from where? From Union station, from—

Mr Tilson: I don't know, sir. You're the one who's creating this thing. I guess I'm just looking for how you came to your conclusions. So far nothing has been made available to us, and I trust you'll have—

Mr King: Can I make a point here? I don't know of any requests for information that came to us that we didn't respond to.

Mr Tilson: Okay. Well, you've got quite a list this afternoon.

Mr King: Yes, but we have nothing before us. We haven't got anything. I know of no requests, other than that we were to appear. We sent some material over ahead of time, which were the board minutes and the board orders.

Mr Tilson: Mrs Marland has some questions. Could you inform us tomorrow morning what information, hopefully all of it, you could make available to us on this project?

The Vice-Chair: On a point of clarification with respect to the last statement regarding information that was requested, our researcher informs me that we did ask for a copy of the agreement, and that agreement was not made available.

Ms Angove: Who did you request that from?

Mr Ray McLellan: I'd have to go back to get the lady's name. I corresponded with your office just prior to Christmas, the week before Christmas.

Ms Angove: Yes. I spoke with you.

Mr McLellan: I did ask for a copy of the agreement.

Ms Angove: I'm sorry, I don't recall that request. I think we talked about what would be sent over and I did send you the package we talked about. Which agreement are you referring to? There are four leather-bound books of documents.

Mr McLellan: The 1992 signed agreement.

Ms Angove: There are four leather-bound books of documents that were signed in June 1992. Are you asking for all of those?

The Vice-Chair: Does that make up the whole agreement?

Mr King: It would make up the whole agreement to this stage. It wouldn't contain all the necessary consulting reports and background reports that have been requested.

The Vice-Chair: None the less, I think it's been established that we want all and any relevant information made available to us, so I think that would be forthcoming from you, and that request has already been made.

We'll move on to Mrs Marland. She has the floor.

Mrs Marland: It's really difficult to know where to begin. On the surface, from the information this committee has today, I think this is probably the most outrageous example of empire-building I have seen in my 20 years in politics, and I think there have to be a lot of answers given. It's probably unfortunate, Mr Chairman, that we're not dealing, in fairness, with the chairman of the board. Mr King, I gather that you're vice-chairman of the Workers' Compensation Board.

Mr King: That is correct.

Mrs Marland: Does that mean you're paid a salary as vice-chairman? On our agenda you're listed as vice-chair of administration. Does that mean as vice-chairman you're responsible for the areas involving administration?

Mr King: Generally speaking. It's somewhat more complex than that, but I work under the general direction of the chairman in law.

Mrs Marland: Who appointed you to the WCB?

Mr King: The Lieutenant Governor in Council.

Mrs Marland: When?

Mr King: April 1992—no, 1991; it just seems like it.

Mrs Marland: So you've been serving on the board for a year and a half at this point, then.

Mr King: Yes.

Mrs Marland: First of all, I want to ask you—you told Mr Tilson, in answer to one of his questions, about why the board had decided to waive a requirement for an order in council to go ahead with this gigantic investment. You said

the board made the decision to waive that requirement based on three legal opinions. Am I correct?

Mr King: Yes. I said two and possibly three.

Mrs Marland: It's interesting to me to read the minutes of the meeting of the board of February 1, 1991, where there in fact is one legal opinion in those minutes, a legal opinion by Mr Atkinson of Aird and Berlis, who said that in his opinion an order in council was not required. Are you suggesting there are two other legal opinions, other than Mr Atkinson's?

Mr King: The previous chairman of the board, Dr Elgie, was acutely aware of that particular question, and I believe he himself sought legal opinion on whether an order in council was necessary and received the legal advice that it was not necessary. Under the terms of the Pension Benefits Act—we are required to manage our investments according to the rules of the Pension Benefits Act—we're allowed to invest in real estate, and it was considered that this was to be an investment in real estate.

Mrs Marland: A \$200-million investment in real estate at a time when industry and commerce and the employers of this province can hardly afford the workers' compensation rates and payments that they have to make today is a little difficult to appreciate, I guess.

Mr King: Can I respond? I've already indicated that \$200 million was the high estimate at the time, and it has come in significantly lower than that.

Mrs Marland: How much lower?

Mr King: Around \$180 million, less than \$180 million. Secondly, if the board is going to wisely invest its investment portfolio, it's got to utilize different investments, including equities, bonds and real estate. From the investment side, this is not anything other than an investment in real estate.

Mrs Marland: Mr King, I'm not in real estate and I have never been in real estate—I'm not a realtor—but it's pretty difficult from a commonsense point of view to appreciate how it's a good investment to spend even \$180 million building new office space, as my colleagues have been pointing out, in a city with the kind of surplus in office space that the city of Toronto and the greater Toronto area has today. Obviously, we don't share the same opinion on this \$180-million investment.

The thing that really bothers me is when I read in your comments that there would be no impact on employer assessment rates or on the unfunded liability. That may sound good to you. What I would like to see is a decision by the Workers' Compensation Board that in fact does make an impact, to reduce these assessment rates; never mind saying there's no impact to increase them. I would like to see a situation where the board makes a decision on an investment where the unfunded liability situation is addressed. Sure, there's no impact on employer assessment rates. My response to that is that I think it's too bad there isn't.

This answer you gave that when you went shopping for new office space you couldn't talk to your present landlord—I heard Ms Angove say she wouldn't consider talking to your present landlord because of the type of building, that it just couldn't be—

Ms Angove: And because they did not respond to the proposal call.

1530

Mrs Marland: Excuse me. I understand that they didn't respond. But the point is that we know there are large organizations moving around this city today from one office building to another. For what reason? Again, common sense would tell you that for the most part they move out of one office building into another because they can get, in today's market, four, five or 10 years with nominal rents if they sign a 20-year lease. Essentially, what you've done is to sign a 20-year lease, as far as we can see from the information you've given us, with no "free" rent or accommodation up front.

Ms Angove: Can I comment on that?

Mrs Marland: Excuse me. Just wait till I've finished, because the question really was to Mr King. Apparently, you went to a lot of trouble to get an opinion from Mr Brill. I gather Mr Brill is a professor, author and leading consultant in productivity. If you went to such a lot of trouble to get an opinion from him about the potential for efficiency gains at Simcoe Place, I have to wonder why you couldn't have sought similar counsel about other alternatives.

You mentioned that you can't go shopping. I think your words were that you have to be a constant companion with Simcoe Place rather than appearing to be fickle-minded. Well, when you're shopping with the dollars that are earned by the people in business in this province who in turn create jobs in this province, I'm sorry, you have to go shopping very hard. I'm not convinced by what I've heard today that you actually have done that kind of shopping. You mentioned that you had a consultant, I think, from Royal LePage. Did you pay this person from Royal LePage for consulting services?

Ms Angove: Yes.

Mrs Marland: And you had the opinion of one person.

Ms Angove: No. We also had the opinion of Drivers Jonas as well. They've been involved in providing advice on the transaction since the beginning.

Mrs Marland: Who are they?

Ms Angove: They are real estate consultants as well.

Mrs Marland: You didn't mention them; you mentioned Royal LePage.

Ms Angove: I'm sorry. They have provided basically the same advice. As recently as Thursday of last week, I did a presentation with a representative of Drivers Jonas who confirmed that there are no existing facilities that can accommodate the WCB. That is as recent as last Thursday.

Mrs Marland: No existing facilities that can accommodate your needs in this—I hate to make the pun, because you're now building with Cadillac Fairview, but I would suggest that maybe there is no existing space available in this Cadillac model.

Ms Angove: No. There is no existing facility that can accommodate this amount of space and meet our locational requirements.

Mrs Marland: Exactly, but you're saying two things here. That's the point I'm trying to make. You have a very

demanding list. You are building an empire in terms of a building. You have to admit, when you describe all the facilities that are going to be in this brand-new building you're building, that there isn't anything you've missed in terms of the design. When you talk about—

Mr King: Can I just respond to that?

Mrs Marland: No, I'm sorry. I haven't—

Mr King: You don't want to ask questions?

The Chair (Mr Remo Mancini): Order, please.

Mrs Marland: Thank you, Mr Chairman. When you describe the trouble you've taken to make sure that all these needs are met in this new building, I'm sure there isn't an organization in this province that wouldn't like to have the same option. I'm sure there are ministries within our government that would like to have the same option the Workers' Compensation Board has had.

My understanding of the Workers' Compensation Board is that it is an arm's-length agency of the government. I recall that the last time I was in a position of learning something about the WCB was when the Workers' Compensation Board came before this Legislature's standing committee on agencies, boards and commissions. As an arm's-length government agency, I don't think your board should have had the choice or the option of going ahead and spending \$180 million building a brand-new building for its palace when we have other agencies of this government, including ministries as well, I might add, that work, I'm sure, in far less than an average of 150 square feet per worker, that do not have the conveniences of all the equipment.

You talked about the special flooring and all these other options. I'm sure those options are the ideal choice, but in this province in the kind of situation we've been in—we certainly were in a recession when you made the final decision a year ago, if you said you made it in July 1991. I just don't understand how the board could have been so irresponsible as to make this decision at that time, knowing what the costs were. You said you haven't even finalized how it's going to be paid for. I think that's particularly interesting.

If you have other answers that you haven't been able to give so far to the questions that have been asked this afternoon, maybe you can give them, but if you can tell us—

Mr King: I don't hear a question.

Mrs Marland: Well, you have been asked about the cost, Mr King. If you think this is amusing, I don't. You have been asked about the cost of this building and I'm simply saying that in your presentation you talked about \$25 a square foot for 20 years. Then when I read the minutes of your meeting, in fact those are not the words in the minutes of your meeting of February 1, 1991. It says, "From a tenant perspective, the WCB will be assured the security of a long-term fixed lease over 20 years at average occupancy costs comparable to market rental rates."

Does that mean the market rental rates of 10 years from now, if they are more, on average, than \$25 or \$23, \$22, whatever your base rent was, will be what you will be paying?

Mr King: No.

Ms Angove: That's exactly right. I mean, that stays fixed. The \$25 stays fixed.

Mrs Marland: Well, one of you said no and one of you said yes.

Ms Angove: If your question is, "Does the \$25 stay fixed for 20 years?" the answer is yes, it does. So when other rents are escalating—for instance, someone who's paying zero net rent for three years, his rent will escalate in the later stages of his lease. That's how developers get back the money they lose in the upfront part of the rent when it's zero net rent. They just get it back later in the rent. If you don't pay it up front, you pay it later. When they are paying it later, our rent will be fixed at \$25 a square foot.

Mr King: Could I answer one question you had?

Mrs Marland: Yes, please.

Mr King: You had referred to the building as a palace and you said it has all these options which are presumably unnecessary. Is it the ramps and parking for injured workers that you object to, and the accessibility? Is it the efficiencies that will be provided by access flooring which will allow the equipment to be moved at no cost versus having to go up through the roof at the present time? These so-called options are not things that will lead to workers working in luxury. It is minimal working conditions, business cases which will make us more efficient, and our customers will be able to access us.

Mrs Marland: Mr Chairman, I don't think Mr King needs to insult me by suggesting that I would—

Mr Pat Hayes (Essex-Kent): What have you been doing?

The Chair: Order, please. You'll have your turn.

Mrs Marland: It's very interesting, since people with disabilities happens to be one of my shadow cabinet portfolios, and I really take exception to the fact that you're suggesting I would be opposed—

Mr King: I asked you a question.

Mrs Marland: Excuse me. You're not even letting me answer.

The Chair: Order, please.

Mr Mike Farnan (Cambridge): Oh, my God. Do we have to put up with this, Mr Chair?

The Chair: Every member will have a chance to put forward his or her ideas and ask questions.

Mrs Marland: For you to suggest that I'm opposed to this new building because I might be opposed to—

Mr Farnan: You don't treat the—

The Chair: I'm going to have to add more time to Ms Marland's time if you keep interrupting her.

Mrs Marland: —ramps for injured workers is a little bit beneath you. That's all I'm going to say. I think the rest stands for itself.

If the government of this province thinks it's okay for the Workers' Compensation Board to spend \$180 million to build its own palace on the most expensive real estate in this city, then that's on its back; it's certainly not on ours.

The Chair: Mr Tilson, you have about 30 seconds.

1540

Mr Tilson: There's been much time spent on the tremendous savings there are going to be. Can you give us a financial framework of what this whole venture is going to cost, the revenue which you expect, whether it be for rental or otherwise? There must be a complete breakdown. I appreciate your issue with respect to how it's going to cost less than it is at Bloor Street and that sort of thing.

Mr King: We have reports which give the return to the fund, for instance, under various different scenarios, and our background papers will be distributed to you as per your earlier request.

Mr Tilson: I had one other question. Do I have time?

The Chair: Quickly.

Mr Tilson: The question that many of us who sit in the Legislature have, because of the questions that are given to us by constituents, is on the service delivery with respect to workers' compensation. I, as a sitting member, can tell you that you, not you personally but the Workers' Compensation Board, are described as a monster out of control, that the service delivery, to be polite, is absolutely appalling. There's been a legislative committee that has recently reported on this matter and there has been an internal task force of the board that's reported on this matter, all of which have said the same thing. Virtually every aspect of the service delivery of the Workers' Compensation Board needs revamping. Can you tell me how this venture will solve that?

Mr King: The earlier presentation on the efficiencies to our business, I believe, did cover that. It talked about the fact that when people come to visit us they can get there more easily, which is of itself a service delivery issue, which is accessibility.

I apologize to the member if she felt I was being insulting, and please, I withdraw any comment that you may have found insulting.

Mr Tilson: You can apologize to her later. Meanwhile, you're dealing with my question.

The Chair: The time has expired. We have Mr Duignan, Mr Hayes and then Mr Fletcher. You'll have to divide the time among yourselves in order to properly share it.

Mr Duignan: First, on behalf of the government side, thank you for coming along and making a presentation here today and tomorrow. I just have a couple of questions and then I will turn it over to my colleagues.

When the initial discussions started to take place of exploring the possibility of relocation of the WCB headquarters from Bloor Street to elsewhere—I understand that took place in the late 1980s some time—was the government of the day made aware of the thinking of the WCB at that time?

Mr King: I was not present at the time, but I understand there to have been monthly meetings held between board officials and the minister in order to brief the minister on all and sundry matters that were taking place at the Workers' Compensation Board.

Mr Duignan: There have been numerous requests for various pieces of information from you here today. Could that information also be made available to this committee?

Mr King: I'm not too sure that meetings between the board and the ministry in 1989 or 1990 are either available to me or, if they are, whether that has some sort of privilege. I would have to check, in addition to the check I have to do on some of the information Mr Tilson wanted.

Mr Duignan: Thank you. When you and the Chair became appointed to the Workers' Compensation Board some time in April 1991, at that time you undertook an evaluation to see if this was a good decision for the Workers' Compensation Board, and you hired some three independent consultants at that time. Basically, their conclusion was that it was indeed a good investment for the Workers' Compensation Board. Could you maybe go over some of those reasons for the committee?

Mr King: Ms Angove earlier had gone over some of the reasons why this is a good investment. Number one, the investment is guaranteed by the tenancy of the WCB; therefore, we don't pay our rental fees to a third party and get no return. Part of the return on the WCB's investment fund is therefore guaranteed by our rent. It's anticipated that there will be a rate of return to the investment fund from the office tower of about 13%. That is a significant rate of return to our investment fund.

One of the other members who had asked the question talked about the unfunded liability. If we could have a guaranteed investment of all our funds of 13% for 20 years, I think perhaps that would go a long way towards dealing with the question of the unfunded liability. So from the point of view of the office tower as an investment, I don't think anyone could question that, and the documentation supporting that position will be made available to this committee.

Mr Duignan: In terms of dollar value, what would that return in the amount of dollars be every year, roughly?

Mr King: It's over \$20 million a year.

Mr Duignan: For 20 years. So in fact, of the initial investment of—I don't think it's a full \$180 million because Cadillac Fairview and the TD Bank are also putting up some 12.5% of the funds each.

Mr King: That's correct.

Mr Duignan: So you're talking about \$140 million or \$150 million. In fact, for an initial investment of \$150 million, you will get some \$400 million back over the 20-year span of this agreement?

Mr King: Understand that we're not putting up the entire \$140 million or \$150 million. We would be putting up only a portion of that. The rest of it would be borrowed money. So we would be making money by borrowing money.

Mr Duignan: No matter what way you look at it, it's still a good investment for the Workers' Compensation Board.

Mr King: It's a good investment for the Workers' Compensation Board. What I've heard by way of critique is that the timing is particularly bad.

Mr Duignan: I can see the mismatch between the board's needs and the capacity of the existing building. It results in a number of inefficiencies and imposes some economic costs on the board, as well as social costs on the injured workers. Could you give us some idea of what these costs are. To what extent would building modifications in an existing building be possible?

Mr King: Ms Angove had earlier pointed out that if you're in a wheelchair and want to come to 2 Bloor, you've got to ride three elevators, one of them being the elevator which takes you up the service area and through the garbage room. There is no modification to 2 Bloor that will deal with the basic structural function. It was never built to have access for injured workers.

In terms of the other areas, we spend an incredible amount of overtime payments in order to get people to come in on the weekend to run cables through our ceiling because we have no access flooring. The amount of time lost because of eye strain and bad morale because of the lighting conditions, the loss of an hour a week per employee who is in head office, all of these things add up to rather enormous business problems for the WCB in giving service to our customers and access to those with disabilities.

That's just a brief summary.

Ms Angove: If I can just show you this, it's part of your handout; it's near the end of your package. This will give you a sense of the service delivery impacts as a result of gaining one hour per employee per week with reduced elevator waiting time only. This does not speak to the efficiency gains as a result of reduced down time. This is just elevator waiting time.

The weekly service impact equivalent of one hour per employee per week translates into an additional 600 calls that our telephone inquiry clerks can make, an additional 780 claims that can be adjudicated by our claims adjudicators and an additional 800 workers who can be interviewed by our voc rehab counsellors. Our revenue staff can respond to 48 more letters, 40 more calls etc. That gives you some indication of the service delivery impact of working in a facility that has been designed to accommodate the operation.

1550

Mr Duignan: Thank you. You indicated earlier that—

The Chair: I just want to remind you, Mr Duignan, that Mr Hayes and Mr Fletcher are waiting. They'll have to divide up whatever time is left.

Mr Duignan: Okay. Besides, as I indicated, being a good investment from the fact the WCB will make about \$300 million over 20 years on the initial investment, it also means this new building is designed to meet the injured workers' needs, which the existing buildings do not right now, plus it's to be handicapped-accessible as well.

I notice that the land belongs to the CBC and that you will be leasing the land from the CBC and I was wondering what the land lease cost is per square foot.

Mr Glenn Cooper: It's approximately \$5.25 a square foot.

Mr Duignan: Okay, and the \$25 you're talking about includes that \$5?

Mr King: That's correct.

Mr Duignan: I'll yield to my other colleagues.

Mr Hayes: The workers' comp board has been in the building on Bloor Street since what, 1972?

Ms Angove: Since 1974.

Mr Hayes: Okay, thank you. A lot of these deficiencies you pointed out—naturally times have changed, the workloads have increased, there's no question, with the new technology

and things of that nature. But obviously someone just didn't come along even in 1989 or 1990 and say, "Hey, let's do something new and let's go to a new building." You must have had a lot of complaints from the clients and from the workers and from the management side of deficiencies. You've pointed many out here. This must have gone on for some time. Can anybody indicate to me how long ago this planning process was actually started as a result of finding all the deficiencies in the building?

Mr King: From the point of view of the corporate board, I believe it was indicated in earlier information that in late 1989 people started to look at it. But I think they started to look at it more because the lease in the existing facility was to be up in 1994, and what options were there? Was 2 Bloor an option?

I believe it's probably true, although I wasn't there, that the board itself did not look at 2 Bloor in terms of its impact on service delivery until after this detailed study of where the board could end up being in 1994 was done and an impact analysis had been done about the service delivery.

I want to respond just very briefly on service delivery. Service delivery has been a question at the Ontario WCB for as long as I have known the institution, which goes back into the 1970s. I don't believe it's something that was invented in recent years, the service delivery problem.

I would argue in fact that the steps that are being taken by the chair on appointing a task force and saying, "Help us with the service delivery problem," with the action plan that resulted from that task force report, which has got the place energized now, the stabilization I have been able to create over the past year and a half of the workforce, the attempt to maximize the use of the technology that was introduced, the correcting of errors which may have been made as the board moved from the old entrepreneurial model into modern managed business, all are having an impact on service delivery.

I sat in front of the other committee of this Legislature which was grilling us about service delivery in April 1991. I sat before the same committee some weeks ago, and it was a different point of view on the part of those people who had looked at the service delivery. They congratulated the board for the things we have done over the past year and a half to improve service delivery. It is my opinion that by giving us the tools of a different facility, we will make another huge increase in service delivery improvement.

Mr Hayes: I know you've touched on this but, in my opinion anyhow, we've heard a lot of simplistic or irresponsible estimates that have been thrown out into the public, and it's been in the media several times about the \$380 per square foot that it's going to cost. I would really like any one of you here, for the record and to make it clear—we want to know exactly what it's going to cost and how this individual and others have come up with this \$380 per square foot, which I think is really unfair to the board. It's irresponsible to give that kind of message out to the public.

Mr King: I was very disturbed to see people equate the highest possible estimate per square foot for building a building with what you can go out and rent a building for. That was the direct comparison that I saw in the media. I believe the comparison was that the board is picking up space at \$380

a square foot when you can rent space for \$20 a square foot. Equating the cost of building per square foot versus the cost of the rental is a rather unfair comparison.

The cost to rent a space for 20 years right now may be lower than originally predicted in 1990, but the cost of building would be \$120 a square foot. I believe what someone had done was to take the highest estimate of cost of the building and divide it only by the 525,000 that the WCB are going to occupy, rather than the 755,000 that the total space of the building involves. That's where the mathematical error had arisen. Why the error in equating the cost of building versus the cost of rental occurred, I don't know.

The Chair: Excuse me. Did you say—how much?

Mr King: Some \$120 a square foot construction.

The Chair: What figures did you use to come up with \$120? What did you divide into?

Ms Varnam: That is based on the gross buildable area of the building, the parking and the shared common areas divided into the total project costs, the current estimate.

The Chair: The auditor has a question.

Mr Erik Peters: I just have a very quick question. You gave us the number of \$180 million.

Mr King: It's \$177 million, to be precise.

Mr Peters: Over 755,000 square feet, or is 755,000 square feet not the square footage you are talking about? Because on that basis, you're looking at \$240 a foot.

Ms Varnam: That's if you're only looking at the cost of the building, but there is also a parking garage and shared common areas and facilities included in that, so the building cost on the gross buildable area is approximately \$120 a square foot.

Mr Peters: But to be comparable, to just ask you the question, the \$20 a foot you're dealing with is for office space. Therefore, are you now relating total footage to build garages and parking spots with square footage per office?

Ms Angove: That's included in your typical net rent anyway. That would be included in it. But the problem with this comparison is that net rent is paid yearly. You pay \$20 per square foot per year. They were comparing that annual cost to the cost for investment over the life of the investment, and you can't compare an annual cost to a one-time cost. That was the problem.

Mr Peters: I totally accept your point. I was trying to reconcile the numbers you have given us to come to the \$120. That's what I was trying to help the committee with. I still have trouble with that.

Ms Angove: The \$120 was being compared to the \$380.

The Chair: I think there's quite a discrepancy there. We've got 755,000 square feet divided into \$180 million. That's almost \$240 a square foot.

Mr King: That's the usable office space.

The Chair: Even if we include the garage, does that take it down \$100 a square foot?

Ms Varnam: The garage is approximately 400,000 square feet and the shared common areas and facilities are about 45,000 square feet.

The Chair: But surely it doesn't cost as much to build a garage as it does the office.

Interjection: More.

The Chair: It costs more?

Ms Varnam: More, yes.

Mr Joseph Cordiano (Lawrence): Could I ask what the actual cost for the garage is?

The Chair: Excuse me. I promised Mr Hayes—
Interjection.

The Chair: I'm going to give Mr Hayes added time, but go ahead, Mr Cordiano, very quickly.

Mr Cordiano: Very quickly, what would be the costs of the garage and the common areas on a per-square-foot basis?

Ms Varnam: I don't have that information available, but I can get that answer for tomorrow. I don't have it off the top of my head.

1600

Mr Cordiano: That would significantly increase the cost of the construction, to bring it up to \$180 million, because that's the discrepancy we're talking about, right? Okay.

Mr Hayes: I think what I'll do, so we can allow these people to respond, is give them time and not run our time out; in all fairness let them respond. I will pass on to my colleague here to ask a question.

Mr Derek Fletcher (Guelph): Just a couple of questions. I need the information. How long have you been at the Bloor Street location?

Ms Angove: Since 1974.

Mr Fletcher: In that time have you done renovations to upgrade the facility?

Ms Angove: Yes, we have done some leasehold improvements. To the extent that we could improve the work-space we have. As I mentioned, some of the problems we were having with the electrical system—

Mr Fletcher: Who paid for that?

Ms Angove: The WCB, of course.

Mr Fletcher: Not the landlord?

Ms Angove: No. We relocated the computer centre and we relocated the print shop, the microfilm function. Now, some day-to-day work obviously Bramalea has done, as it does in any building just to maintain it. They have paid for some of that, but in terms of improving our own space, WCB obviously has paid for it.

Mr Fletcher: As far as the Bloor Street location is concerned, could you get a guarantee of a fixed rate over 20 years?

Ms Angove: Yes, we did when we moved in.

Mr Fletcher: When you first moved in?

Ms Angove: Yes, we did.

Mr Fletcher: And it was at \$20, was it?

Ms Angove: No, it wasn't.

Mr Fletcher: What was it at?

Ms Angove: Do you know, Vivian? Is it \$11?

Ms Varnam: On the initial lease, the initial space, just over 200,000 square feet, it was \$7 a square foot.

Mr Fletcher: Okay, that was then.

Ms Varnam: Yes.

Mr Fletcher: As far as the investment you're making at Simcoe Place is concerned, the best time for building or to do something like this is during the time of low interest rates and competitive construction costs. Is that what you've found?

Ms Angove: Yes, the consultant firm Drivers Jonas has told us that construction costs are as low now today as they have been since 1982.

Mr Fletcher: Okay. So according to those rates, you could be saving a lot of money doing it at this time, rather than when the market starts to rebound.

Ms Angove: Yes, absolutely.

Mr Fletcher: Just on that alone, how many jobs are going to be created by building this facility? Do you have any idea? We're looking at construction jobs obviously. Hopefully it won't raise your clientele.

Ms Angove: About 300 to 400 construction jobs and obviously many, many related jobs in manufacturing etc.

Mr Fletcher: In the Toronto area. I've always been one of those people who have said, as far as renting is concerned, you're always throwing money away and you don't see anything at the end of it. At the end of the 20 years, what am I going to see as far as the WCB is concerned with this building? Am I going to see that you own a building or 75% of it?

Ms Angove: Yes.

Mr Fletcher: And that's going to be yours.

Mrs Marland: No, the people of Ontario's.

Mr Fletcher: So on the market that becomes an asset as far as everything else is concerned?

Ms Angove: An asset of the investment fund.

Mr Fletcher: Right. Okay, thank you.

The Chair: Any other questions. Mr Duignan, we have some time left, if you wish, or Ms Haeck.

Ms Christel Haeck (St Catharines-Brock): In the time that you have rented space at 2 Bloor, obviously your office staff increased, at least I would assume, somewhat substantially over the almost 20 years you've been there. Has it doubled? Does someone have a handle on that?

Ms Angove: In terms of number of staff we're at? Yes, it's close to double; not quite, but close. We now lease over 400,000 square feet at 2 Bloor and in some offices very close to that location.

Ms Haeck: With your long-term projections over the 20 years, are you seeing yourself—because obviously the range of technologies you're using—again having to increase staff at all? Obviously you will have to to some degree, but in the same magnitude?

Ms Angove: Did you want to answer that, Brian? No, we don't, but we have built a number of flexibilities into this lease so that if we need to lease additional space, we have the option to do that or if we decide it makes sense to decentralize some of the functions, we can sublet some of the space at an attractive rent. We've covered both sides of that.

Ms Haeck: I know there definitely is a concern among the business community. I've had a small employer come in

and indicate his concern that he was seeing his rates go up and he felt he was providing you with the means by which you were going to build this—

Interjection: Ivory tower.

Ms Haeck: Ivory tower, yes. I was trying to avoid that, but I guess that's what the constituents are to some degree saying. The thing that really does concern me is that in looking at some of the briefing documents, you get a sense that you've tried to be responsible in the financing of the building, but that's not a message that really has gotten out. In fact, even the message about your moving has been relatively low-key until quite recently. Obviously some people in the ministry have known, but it has not been widely known and you haven't necessarily communicated that well. That would be one comment I would make to you. How would you see yourselves being able to communicate better with some of the employer groups, particularly to assure them that their rates are not going to skyrocket as a result of this building?

Ms Angove: I think it's a very good point. We have had very specific briefing presentations to the employer community over the past two months. They have been able to come in, they have received a very similar presentation, they've been able to ask their questions and we've addressed their issues and concerns personally.

Ms Haeck: You've had over two years to get to this point. How much more planning are you going to have to do? Is this basically done and the shovel is going to go in the ground? Obviously, there is still a certain anxiety about what all this is going to cost. Usually there's a question mark about cost overruns and all those kinds of things. Have you got a pretty firm price?

Ms Angove: Yes, we do.

Mr King: We have a person specifically monitoring all the costs of the project on a day-to-day basis, someone who's working for us in a dedicated way. We're very aware of all of the costs.

Ms Haeck: And it's on track or coming in even better?

Ms Angove: Yes. It has come in much lower than we originally anticipated.

Mr Callahan: You've indicated that the land is leased and you own the building, or this numbered company owns the building. What is the life expectancy of that building?

Ms Angove: I understand it'll be 50 years, something like that.

Mr Callahan: You understand? Is there anything written or is there any professional opinion given as to the life expectancy of that building?

Ms Angove: I should have someone qualified give you that answer, so let me ask Drivers Jonas exactly what they think the life expectancy is. I understand it is at least 50 years; it may be longer.

Mr Callahan: No, no. Has that question never been asked or considered before, what the life expectancy of the building is?

Ms Angove: The reason I say it's 50 years is because we have a 20-year fixed lease with three options to lease for 10

years beyond that, so I know it's at least 50 years. It may be well beyond that.

Mr Callahan: You're not answering my question. We've heard Mr King say this is part of your investment portfolio. Now, you don't own the land; you own the building. I would have thought that because it's part of your investment portfolio, that question would have been asked a long time ago as to what the life expectancy of that building would have been in terms of deciding whether or not it was a good investment for your real estate portfolio. Am I correct that it's never been asked?

Mr King: I cannot answer that question today. I don't have that information.

Ms Angove: It may have been asked by the investment fund and we just don't know the answer.

Mr Cooper: I'd like to add that the projections which have been done from an investment point of view are based on the first 20 years of holding that investment. If you look at today's value of money that you're going to receive 21 or 22 years from now, it really has no value. Therefore, we ignored any return on value after the 20th year. We've only looked at the first 20 years' return on value.

1610

Mr Callahan: You're using the pension funds of the people today, tomorrow and in the future in terms of their benefits to be paid out to them. You're investing those in a commodity but, first, you don't even have any idea how long that building is scheduled to last and, two, it's a lease arrangement. I could maybe have seen this as a wise investment if you owned the land, but you don't own the land; CBC owns the land. Any potential increase in the value of this commodity, in terms of those pensioners, has been lost.

You've got a building that's going to depreciate over God knows how many years—you don't know how many years. I find it really incredible when you're making an investment like that, which is risking pension dollars. I'd hate to think what's going to happen down the line if this asset is depreciating. It seems to me that all that's been looked at by the Workers' Compensation Board is, first, "Let's have new accommodations, new digs, for ourselves that will meet our needs to the nth degree unlike any other department in the government, even though we're in an economic bad time." Second: "Let's not buy the land. Let's lease it and just make sure we can get \$20 a square foot for 20 years, because that's a big investment."

I like to think that every member of this Legislature of whatever political stripe is more concerned about the question of protecting the pensions of those people who have been injured and the employers who paid for those pensions to ensure that their workers, who are denied the right to sue now and have been for a considerable period of time, are protected. I'm sorry; I don't mean to be pejorative, but I just get the feeling that Workers' Compensation has just decided, "Well, so what?" If I'm wrong, then I would have thought you would have looked at the question of what you're going to have at the end of 20 years in terms of an investment.

Ms Angove: We have looked at that.

Mr Callahan: No, you haven't. You told me you guessed it was 50 years. It tells me that you have no—

Ms Angove: I said it was at least 50 years.

Mr Callahan: It tells me that you have not done your homework, that you do not have, nor have you ever had, a professional, qualified statement of how long that building becomes an asset. If that's the case, then I feel you've done exactly what I've suggested to you.

I don't like to be critical of you people, because you're obviously working in a system where there are others responsible for it, but it seems to me that the pension rights and the pension protection of these people should be your primary concern, not the question of whether or not you can get digs that are better than anybody else's. At a time like this, I can't understand why you would even consider it.

I'd like to know what the cost of getting out of this thing is. I want those figures, and hopefully you can have them for us tomorrow, so we can look at them in terms of what the overall saving you say is in comparison to the overall cost of getting out. I don't think the taxpayers in Ontario can afford a Cadillac; I think we need a Volkswagen right now. We'll have to be satisfied with a Volkswagen.

Mr King: In brief response to a question about the future of the pensioners being in jeopardy because of this investment, might I suggest that I was the inheritor of a \$10-billion unfunded liability. I didn't invent that, nor did the present Workers' Compensation administration. I believe if you look at the record and if you look at what puts in jeopardy the future payments to pensioners, you might look to the preceding 20 years and see where the unfunded liability arose.

Mr Callahan: Mr King, I'm perfectly aware of that, and what you say is quite true. But the fact is that because 20 years have gone by with an unfunded liability, it doesn't mean we have to add more to it, with greater uncertainty to the benefits those people are expecting to receive, having been denied their rights to sue in court and depending upon a system that—I don't think there's a member of the Legislature of any political stripe who would say it is one that works very well.

I know you people have worked hard at trying to bring it along, but the WCB was the first thing I heard about when I came down here. I think each and every one of us, as ombudsmen in our own offices, finds the difficulties we have and the frustrations we have in trying to get a file pulled so we can deal with it for these people. For God's sake, if they have to put up with that antiquated system, I don't want somebody to have to believe that their pension rights down the line may be denied them because of poor investments by the WCB.

I have to tell you, on everything you've told us today, you haven't given me one good reason why you should invest that kind of money in a building at a time when people in Ontario are losing their homes, they can't pay their taxes. And you people are prepared to spend \$200 million on a palatial mansion to house WCB. Well, I'm sorry. This is one member who can't support that.

Mr King: I'm not too sure one should put any seed or germ in the mind of people receiving pensions from the WCB, as you seem to have done, that this particular investment puts their pensions at risk.

Mr Callahan: I'm not trying to do that, but there's the potentiality. You don't even know what that asset is worth, how long it's going to be worth something; it's going to be depreciated right off the books. If you wanted to go out and do something, why didn't you buy the land, invest in real estate, and maybe 20 years down the line or 50 years down the line you'd have something? That's a funding of a liability. You haven't funded it. You're building a building; the building depreciates. What's the value of it in 20 years? How long is it going to last? It's got a lot of elevators, I understand, but that's about all I can figure.

Ms Angove: I think you will find that the consultant's report will confirm that in 20 years the return on investment is very favourable for the WCB, and beyond that, that return improves over time. It does not depreciate.

Mr Callahan: Can you produce that consultant's report tomorrow. I was surprised that when I asked you the question of how long this building is going to last, you just gave us a figure, "Well, about 50 years." You didn't tell me you had a report.

Ms Angove: I said I can speak to 50 years because I know that's our option to renew the lease.

Mr Callahan: I'd like to see that consultant's report tomorrow as well.

Ms Angove: Fine.

The Chair: I think what I'm going to have to do to make sure everybody gets fair time is go around again. We're going to have Mr Cordiano conclude the Liberals' time, then we're going to go to the Progressive Conservatives, then I'm going to give the government members another block of time. I'm going to make sure that everybody gets their questions on. So with the assistance of the committee, Mr Cordiano.

Mr Cordiano: I will endeavour to be brief. I just want to recap what I think is the fundamental focus of the motion that was brought to this committee in order to investigate this question, and that is coming back to the basic concept of value for money and the decision that was taken largely being an economic one.

Can this decision be justified in today's economic environment, given that the decision was probably initiated in a period, 1989 and 1990, when the economic conditions were quite different from today, economic conditions that would have perhaps favoured this kind of decision back then, given the rental rates and given the kind of leasing arrangements that could have been made back in 1989? Looking forward, this kind of investment probably looked highly attractive at that time.

It's wise to say that given today's economic circumstances and the state of our economy locally, which is quite important not only to this province but perhaps to the whole country, we as concerned legislators would like to have, without any doubt, certainty that this decision is in fact a good economic decision based on some sound economic principles. We're not convinced of that. I don't think anyone is.

Ms Angove: Given today's economic climate, this is a better deal today than it was in 1989 or 1990 simply because construction costs have gone down so much in the last two years that it costs less to build a building.

Mr Cordiano: Well, that may be correct, but there are certain other factors to be taken into account which I think you've overlooked in making this decision. Construction costs may be lower, but the whole cost of a lease versus construction costs or versus whatever other decision you wanted to make—we're not comparing the cost of construction today to the cost of construction in 1989 and saying, "This is a good decision, given that narrow framework." We're comparing today building versus leasing an existing facility.

You have indicated that other conditions have impinged on your decision, and now we need to verify that. We also need to attach some dollar figures and perhaps something that cannot be equated with dollars: whether that's a priority in these difficult economic times. Because against the backdrop of fulfilling the requirements of your space needs, we want to ask ourselves, could you in fact lease the existing space with the variety of other variables attached brought into that equation? That is with the understanding that those priorities may not be met, but those priorities have to be set against the backdrop of economic conditions. How much does it cost to make those priorities become a reality?

We think it's a question of reordering priorities—at least, I'm speaking for myself—and making a decision based on value for money, if you can lease existing space that almost meets your needs or comes close to that. If you can't, then what we're really dealing with is a costly decision versus a non-costly decision with all those other conditions attached to it. That's really, in a nutshell, what I think is the fundamental focus of this question.

1620

Mr King: I think if we start with one assumption, 2 Bloor was not considered by either the landlord or the tenant as being acceptable to our modern business needs. I think of the inability of that building to deal with the temperature, so that we have to move our computer out of it, and of the inability of that building to move people, to move our 150,000 customers. If we were to follow your scenario, I think that at minimum we would have to look whether there was another building in the Metro area which could serve our needs.

Mr Cordiano: Or several facilities. There are a lot of variables that can be entered into this equation. I think that it's always measured against priorities that you set for yourselves, which we may not even agree with you on. We don't have enough details. I'm glad you've agreed to bring forward all of those detailed studies that were done for you and the parameters that you set in place for making this decision and the kinds of priorities that you've listed, which we have some idea of, but what all of those things mean in terms of dollar figures and value for money is the way in which this committee operates. We're doing an audit of your decision on a value-for-money basis, which is entirely the way in which we operate on an ongoing basis on this committee. That's what we're looking for.

Ms Angove: Can I ask you that in looking at value for money you recognize that occupancy cost includes not only net rent but the cost associated with working out a facility that cannot support the operation, the cost associated with

waiting for elevators and the cost associated with downtime of equipment? If you include those costs and compare—

Mr Cordiano: Let me just interrupt you. I agree, and it may be entirely appropriate that you need to move. No one is going to question that on this committee. That's not really the question here. The facilities you're at now are not adequate. We all recognize that. The way that your existing facilities present themselves is not adequate. I will speak for myself. The experiences of my constituents will indicate that, and what you're presenting as fact we'll take as fact in regard to that. But I think it's also important to understand that you could make repairs to the existing facilities. You're saying that that's not feasible.

Ms Angove: You can't add elevators.

Mr Cordiano: That's fine. I can understand that and you will bring forward studies that indicate that, or at least cost estimates to prove that fact and validate that. You will also bring forward other information which will validate what we're saying. To this point, we have none of that information and I don't think the public does either. You're simply saying, "Take it at face value that this decision makes economic sense." There are too many doubters out there, starting with this committee.

The Chair: Okay, we're going to continue with the rotation.

Mrs Marland: Ms Angove, who is the consultant to whom you're referring when you say you will bring that report tomorrow morning?

Ms Angove: I'm sorry; which report are you referring to?

Mrs Marland: In answer to Mr Callahan, you said you would bring the consultant's report with you tomorrow morning. I'm asking who that consultant is.

Ms Angove: Drivers Jonas.

Mrs Marland: Okay. Can I be clear? The total square footage of this building is 755,000 square feet.

Ms Angove: For the office space.

Mrs Marland: The gross leasable area is 755,000 square feet. How much of that is the WCB going to occupy?

Ms Angove: Seventy per cent; 525,000 square feet.

Mrs Marland: Okay. Today you do not have any leases in hand for the balance of that 30% of that building?

Ms Angove: That's being handled by the developer, so I really can't speak to potential tenants it may be negotiating leases with.

Mrs Marland: Okay. Are you telling this committee that you're not responsible for the balance of the leasable space in this building?

Ms Angove: Certainly we, as a tenant, are not.

Mrs Marland: How about you as owners? That's what we're interested in here, because you're spending this money buying this building.

Ms Angove: The investment fund is exposed to the spec space, 75% of it; you're right.

Mrs Marland: So are you saying, then, that the investment fund will be liable for the balance of the space that you're not using if it's not rented?

Mr King: We have done projections about the return to the investment fund under various scenarios regarding that speculative space.

Mrs Marland: Excuse me, Mr King. I only have a few opportunities here to ask questions, so I want to be very specific.

Mr Hayes: You should give him an opportunity to answer, Margaret.

Mrs Marland: You have a building that's 750,000 square feet, more or less, and your use of that is 70% of that space. You're one of three parties to building this building, I understand?

Mr King: Yes.

Mrs Marland: Your press release, by the way, says the Toronto-Dominion Centre. Did it mean the Toronto-Dominion Bank?

Ms Angove: Toronto-Dominion Place.

Mrs Marland: Is the Toronto-Dominion Place the Toronto-Dominion Bank?

Ms Angove: Yes.

Mrs Marland: Okay. So if the balance of this brand-new building—30% of this brand-new building—isn't leased, would I be correct in assuming that the liability for the cost of that unleased space will fall on all three parties?

Mr King: That's correct.

Mrs Marland: So you have a liability for 30% of this building at a time when there is a tremendous surplus of office space in downtown Toronto. Are you not concerned about the fact that you may have difficulty renting the balance of this building?

Ms Angove: Only if it's not rented for 20 years. Drivers Jonas has confirmed to us that when it is rented, the investment fund will gain the benefit of those healthy rents during the time that it is rented. They also don't think it will be problematic to rent that space simply because no new office space is being built in downtown Toronto. The trend is to move grades B and C buildings to grade A buildings, which is what this building is. So they are very optimistic about the leasing feasibility of the spec space.

Mrs Marland: You've talked today about the rent, the \$25-per-square-foot rent. Is that dealing totally with the building cost or does that guarantee that rent will be applied to the land lease as well? I'm glad Mr Turnbull's arrived because he's the expert in commercial real estate in our caucus. But you don't own the land, so I assume you have a land lease.

Ms Varnam: That's correct.

Mrs Marland: Is this guaranteed rent on the land as well as on the building?

Ms Varnam: It includes the cost of the land lease.

Mrs Marland: So your land lease is locked in for 20 years?

Ms Varnam: Yes.

Mrs Marland: Go ahead, David.

Mr Cordiano: Let me—

Mrs Marland: I'm just yielding to Mr Turnbull.

Mr Cordiano: We're just having some trouble hearing.

Mrs Marland: I'm sorry. I yield to Mr Turnbull.

Mr David Turnbull (York Mills): Let me ask you, how much did you pay for this building?

Mrs Marland: They paid \$180 million.

Mr Turnbull: You paid \$180 million and it's 700,000 square feet?

Mr King: It is 755,000.

Mr Turnbull: So how much is it per square foot? Have you done the calculation on this?

Interjections.

Mr Turnbull: How much is it per square foot?

Ms Angove: It depends which part you're looking at. Vivian, why don't you explain it?

Mr Turnbull: Take the whole building, because you've bought it.

Ms Angove: The office tower, the parking and our share of common areas.

Mr Turnbull: I'm not talking about the parking; I'm talking about the office tower.

Ms Angove: We own part of the parking. We're paying for the construction of the parking.

Mr Turnbull: Give me a number. How much is this per square foot?

Ms Varnam: When you take the gross buildable area of the tower, the parking and the shared common areas and facilities, it's \$120-per-square-foot construction cost.

Mr Turnbull: Is that finished? Is that with leasehold improvements or is that just the raw construction?

Ms Varnam: That's the shell.

Mr Turnbull: How much do you propose per square foot to finish it off?

Ms Varnam: I don't have that offhand. We do have that information. I can have it tomorrow.

Mr Turnbull: Is this a land lease?

Ms Varnam: It's a land lease.

1630

Mr Tilson: Considering the amount of equipment that you're going to be putting into that building, that's a very relevant question.

The Chair: You can only have one member of the committee at a time holding the floor and you can only have one set of questions being asked at a time. I don't mind members helping each other out. Mr Tilson, if you—

Mr Tilson: Yes, Mr Chairman, I think the question that Mr Turnbull asked is quite relevant, because of your reason for moving there—you've talked about cables and cost of equipment. I think we need to know that. If you could have that available for us tomorrow, we'd appreciate it.

Ms Varnam: Yes, I've made note of that.

Mr Turnbull: What alternative buildings did you look at by way of leasing?

Mr King: There was a lengthy explanation before you arrived regarding a public tendering process that took place in 1990, some 34 different proposals being brought forward, it being short-listed down to four proposals and the present one

being chosen. We had previously volunteered to bring information tomorrow on the nature of the proposals that were brought forward in 1990 for a new facility for the Workers' Compensation Board.

Mr Turnbull: I would suggest that at these sort of rates you could have bought outright, including the land and buildings, in other locations.

Mr King: What you might be able to negotiate today probably does differ from the 1990 negotiating situation.

Mr Turnbull: The year 1990 was already in the recession. Real estate was already in the dumper at that point. I'm a commercial real estate broker and believe me, I know.

Interjection: Trust me.

Mr Turnbull: It was very low. We'd certainly trust us a lot more than your government. How on earth could you pay that kind of money when there are all kinds of buildings available for less money and without land leases?

Mr King: The documentation supporting the proposals that were brought forward in 1990 has been promised to the committee.

Mr Turnbull: I intend to scrutinize that very carefully, because that's a ridiculous price.

Mr Tilson: Mr Chairman, I have a question. How much time do I have?

The Chair: There are approximately 28 minutes left and I've got to ensure that the government members get at least 20 minutes.

Mr Tilson: Mr Chairman, a question I have to the clerk or to yourself as Chair: There have been comments made by Mr King and others that their legal opinion felt it was unnecessary to obtain an order in council pursuant to section 64 of the Workers' Compensation Act.

The Chair: Yes, I was curious about that myself.

Mr Tilson: I've read that section and the section is quite clear, I believe, just looking at the wording of it, and I don't imagine that the board representatives, the way they've been reacting this afternoon, are going to provide us with their legal opinions. If they are that's fine, but—

Mr King: I've already volunteered that.

Mr Tilson: Okay, that's great. Then we'll have our legal opinions tomorrow. Mr Chairman, does this committee have access to legislative counsel, that we can receive an opinion on that issue from the committee's point of view?

The Chair: We'll have the clerk answer that question. The answer is yes, and we're going to get an explanation as to how it works.

Clerk of the Committee (Ms Tannis Manikel): There are various lawyers attached to the legislative research service, and in the past on other committees I've gone and asked them to provide legal opinions to the committee. If that's this committee's request, I can do that as well.

The Chair: Yes, I think we can start there if it's the wish of the committee.

Mr Tilson: Do you require a motion, Mr Chair?

The Chair: We usually work by consensus. Let me put it this way: The public accounts committee has asked the board

representatives to bring forward their legal opinions which would indicate that they did not have to deal with section 64 or that they were somehow exempt from section 64 or that whatever they were doing did not fall under section 64, any one of those three. So they're going to bring forward their legal opinions.

Mr Tilson: wanted to seek assistance and get outside legal opinions. We have lawyers in the legislative library research department we can call upon to get legal opinions and it doesn't cost us anything. They're already on the payroll.

Mr Hayes: I'm sorry, Mr Chair. Don't we already have three legal opinions? Did I hear that correctly?

Mr King: Two, and possibly three.

Mr Hayes: They could bring those opinions forward.

Mr Tilson: To be fair to my inquiry—

The Chair: Yes; please go ahead.

Mr Tilson: —I did not ask for outside legal opinion. I'm aware that there are legislative counsel available to committees. My question is, how does this committee have access to those? Do we simply ask them?

The Chair: We just ask them.

Mr Tilson: I assume there's no problem. It's not going to cost anything further to provide that opinion?

The Chair: I wouldn't think so.

Mr Tilson: Do I assume the consensus is that the clerk can request legislative counsel to provide that opinion?

The Chair: Unless I hear some objections.

Mr Duignan: Will legislative counsel be making the decision based on the same information that was available to the two, possibly three, other lawyers before?

The Chair: I don't know what information was available to the other lawyers. That's a question I'm not able to answer at the present time.

Mrs Marland: It's right here in their minutes. It's right here.

Interjections.

Mr Cordiano: Perhaps I could clarify since I was in the chair at the time. I think it was made clear that all the relevant information and any information leading up to those decisions would be made available to the committee. Therefore, unless we get something different, you would make available all relevant information for those kinds of opinions to be gathered at this point.

The Chair: Maybe your request is premature. Would you want to wait until you saw the other documentation before you—

Mr Tilson: Mr Chairman, all I can say is that I've read section 64, which I think is available at the front desk—

The Chair: Yes, we have copies.

Mr Tilson: You could read that and you will see how clear I think it is. I'm in doubt whether or not those opinions are correct.

The Chair: I appreciate that.

Mr Tilson: It may well be that they have their opinions based on a set of facts, but the question is, has section 64 been complied with? I believe we're entitled to receive our

legal opinion, not necessarily the opinions from other outside sources.

The Chair: That's a fair request. Requests such as that have been made before. We'll try to get consensus.

Mr Farnan: I'm not disagreeing, but I'm just going to move deferral of the request until such time as we get the information that's brought forward by the delegation.

Mrs Marland: May I speak to that? Mr Chairman, am I correct that we only have tomorrow to deal with this matter?

The Chair: Let me put it this way: We have four weeks set aside for the work of this committee to do a number of things. Some of the items we have on our agenda may not take as long as we think at this stage. I believe we have flexibility in the four weeks that have been allotted to us to come back to this subject if we believe there's a need.

Mrs Marland: In fairness to the committee, in answer to our questions this afternoon, Mr King suggested there had been more than one opinion on this matter. He suggested that the former chairman had received an opinion. In the minutes of the board's own meetings on February 1, 1991, as I referred to earlier, Mr Atkinson from Aird and Berlis gave his opinion and gave the answer as it pertains to the provisions of the Pension Benefits Act.

I think what we're asking is simply that while we will have further information on Mr Atkinson's opinion from the WCB tomorrow, and perhaps another opinion it's going to bring, what we are requesting is that legislative counsel have the lawyers look at their interpretation of section 64 as it pertains to the argument that the WCB is bringing. Frankly, I would like to have the benefit of our own legislative counsel, who are independent of the WCB.

1640

The Chair: I appreciate that request. I'm not even sure that if we make the request immediately, even today before 5 o'clock, we'll be able to get an answer by tomorrow morning. That may not be possible.

Mr King: Can I give you some assistance in answering that?

The Chair: Please.

Mr King: As Ms Angove has said, there are four volumes which go to make up this particular agreement and I don't believe it feasible to ask any lawyer to give you an opinion based upon the amount of documentation in a hurry. In other words, I'm trying to help you understand that even if you gave it to legislative counsel tonight, all they would do, at best, I think, would be to get a verbal explanation of what the arrangement is, because they simply couldn't read all the documentation in a hurry.

The Chair: Mr Farnan, did you want to conclude with something else, or is your point concluded?

Mr Farnan: I think the point is that I think all members of the committee would probably not have objection to the request. I think the timing, as you pointed out, Mr Chair, is appropriate, and I don't think a day's delay and we see what comes forward tomorrow—we can make a deliberation on this tomorrow.

The Chair: Are you in concurrence with that?

Mr Tilson: I have no problem. There may be some doubt as to what we're even going to receive tomorrow. The board representatives are going to seek counsel on what they will even produce.

The Chair: Okay, that's fine. That's a subject matter we'll come back to tomorrow. I think everyone understands what we're trying to get at. My question would be different in that regard, but I'm going to hold my question until the government members have concluded their questions. I'm assuming that, Mr Tilson, Mr Turnbull, Ms Marland, you're finished?

Mr Tilson: I have one further question, if I have time, Mr Chairman.

The Chair: Okay, one last question, very quickly.

Mr Tilson: Mr King has made some comments that one of the issues they're proud of on this is that it is a good investment. I have concern with that statement, particularly when just very recently the Workers' Compensation Board had a major loss of over \$100 million when it transferred \$400 million to the Euromart to be placed in foreign stocks and bonds. There was a loss on that. Had the fund kept the money in Canada and invested in low-risk Ontario or federal government bonds, it would have made at least \$100 million in interest, but that wasn't the case. This is a report I have from the Globe and Mail of December, which I'm sure you're aware of.

Having said that, obviously, the investment abilities of the Workers' Compensation Board in the past have been questioned. I assume you have had someone advise you with respect to the investment potential of this area. You shake your head yes. When you're providing information to us tomorrow, can you provide us with a copy of that opinion?

Mr King: Yes.

Mr Farnan: I suppose the people of Cambridge would want me to be quite direct and quite simple in addressing this question to you. It's true that you're leading off this initiative at a time of recession, and you've stated that it will improve the board's efficiency. I'd like you to answer this question fully for my constituents. Is it possible that this new building will (a) save the board money and (b) improve efficiencies? I'm sure my constituents want to know the answers to those two questions.

Mr King: Number one, we need a new facility in 1995 when the present lease at 2 Bloor Street East ends up. We have to have a place to do our business. We may be able to get short-term rental of space broken up into smaller portions than the 525,000 square feet around the city of Toronto. That will decrease our efficiency. That will make our service delivery worse rather than better.

The investment, if it isn't made, simply means that we find a different place for certain investment dollars of the WCB. They would not get as great a return as they would in the Simcoe Place development.

From the tenant side, as I've already described, we may be able to get short-term rent at less cost than the approximate \$25 a square foot guaranteed for 20 years that's in this deal. It would fractionalize our service and make our service worse. So in simple answer to your question, the present plan will

improve service, it will not put the board at financial jeopardy and it will improve the board's investment performance.

Mr Farnan: Some of my friends in the construction industry are certainly interested in this particular project. Those whom I've talked to have talked in terms of the creation of potentially 300 to 400 construction jobs. Would you elaborate on the potential for job creation with this project, please?

Ms Angove: In speaking with the developers, they have confirmed that is the number of construction jobs that will be made available in constructing the base building. Certainly, there will be additional jobs that will be created as a result of finishing out the space. I'm sorry; I can't give you the numbers associated with that. There will also be a number of manufacturing jobs that will be supported by the fact that we are purchasing materials to construct the building. So there are many, many areas where jobs will be created as a result of the project.

Mr Farnan: Critics have slammed the WCB for building at a time of recession. I think I tend to agree somewhat that being a time of low interest rates and having competitive construction prices would appear to make it a good time to build in actual fact.

Ms Angove: Absolutely.

Mr Farnan: Would you consider that a lot of the questions being placed to you today and maybe throughout this whole dialogue is an attempt to compare apples and oranges? On the one hand, you want to talk about comparative costs, and while you're talking about comparative costs on the one hand, you're talking about a building with grave inefficiencies, and you want to compare that with a new site where you're going to have great efficiencies.

Ms Angove: That's right. You're absolutely correct. The whole premise of relocating to a facility that has been designed to support the operation is to improve efficiencies. People have implied that the various upgrades we are incorporating in the building are luxuries. They are not. They are all being implemented in the project to support the operation. They are requirements of the WCB that may not be requirements of other government agencies, but they are specific requirements of the WCB.

They have all been thoroughly researched by design consultants. We've worked with the architects and we've worked with the mechanical, electrical and structural engineers on the project to confirm our requirements and to determine the best course of action to follow in determining what it is we need in the new building. So whether it's lighting or access flooring or elevators, it's all been done through consultants who are experts in the field.

Mr Farnan: I have one final question. This concerns the clients of the WCB. I think all members of the House are working with individuals whose lives have been put into a certain sense of turmoil. Indeed, we would want an efficient operation to be serving them. I'm concerned about the workers' stress within the WCB, I'm concerned about the case load and I'm concerned about the turnover of staff. Often when I phone or my staff phone, we find the file has been transferred to a new worker. Is this related to the building you're currently in? Does the turnover of staff at the

WCB have a direct relationship to the working conditions you're in at present?

Mr King: I looked over some figures on the number of injury claims that are being put in by Ontario Workers' Compensation Board employees. In fact, there is an increasing number of claims related directly to the facility we're in, the crowding we're in, the eye strain. As I recall, we project to the end of 1992, at the time I read the report in the fall, something like 80 claims for our own employees related to working conditions, so it is a very significant problem.

1650

Mr Farnan: If there is one thing that would benefit me in my job, and I'm sure a client of the WCB, it would be that when you enter into a relationship with the board you would have a case worker who will be there three months from now after you initiate your case, and hopefully might be there six months and nine months later. My experience is that in reality the turnover of case workers is so great that this, in my view, is the greatest inefficiency of all, because people have then to get up to speed with the client and the case they have to take on.

I believe whatever can be done to reduce staff turnover and to create efficiencies is a positive thing. Even if that costs a few dollars, I would not object to a few dollars extra being spent so that the clients, the Cambridge men and women who have to deal with the board, can be dealt with effectively.

From what I'm hearing, the rent will be comparable with market rents, will be in the range of market rents.

Mr Sorbara: Market rent is \$2 a square foot.

Mr Farnan: We're talking about a 20-year contract. So much that has been said on this issue is from outer space. We have a motion from Mr Cordiano which talks about a cost of \$380 per square foot. Obviously, if you want to do this kind of irresponsible throwing out of figures, you can't have a serious debate.

The reality of the matter is that if you mortgage your home over one year, you'll find that the square footage costs are astronomical, but we mortgage our home over a lifetime.

Mr Callahan: The Treasurer must have changed his view, has he?

Mr Farnan: Indeed, the question I would put to the delegation is very simple: For the constituents of Cambridge, will the rent represent, roughly, comparable market value rents over a long-range period? We're talking 25 years, I believe. Is that a reasonable assumption to make?

Ms Angove: Absolutely. In fact, over the 25 years, our rent could well be less than market rent.

Mr Farnan: The people of Cambridge will be delighted to hear that. I hope you're right.

Mr Duignan: Following my colleague's line of questioning, we've had some wild accusations made, especially from the Liberal opposition, that this move would cost \$380 per square foot. We know from our meeting here today that it's not going to cost anywhere remotely close to that. Strangely enough, I picked up a press release by the Tory opposition here today and there's some wild accusations in here too.

Maybe the vice-chair of the board could explain to Mr Tilson why the board can't stay in its present location and

why the present building can't be brought up to the same standards as what the WCB wants or needs.

Mr King: I think one thing that has been missing from the discussion today is that this was not a move invented by the WCB bureaucrats or the board of directors. In fact, we went out to the customers of the WCB. We talked to the injured workers, we polled the injured workers and the employers with respect to the location, with respect to the use of the present facility, and the response we got is that they wanted to be in the downtown area and they wanted to be near transportation. It isn't just the WCB bureaucrats.

Interjections.

The Chair: Order, please. I can't hear the answer.

Mr King: Sorry. I'm told it was not a poll, it was a survey. I'm not too sure.

Mr Tilson: That's only 8% of clients.

Mr King: The fact of the matter is that our present facility is totally inadequate for our business needs. It isn't so that we can have bigger offices. In fact, all of the executive at the WCB will be getting smaller offices, including the vice-chair of administration and the chairman of the board. It is to make the working conditions of the employees of the WCB tolerable and healthy; it is to improve the service delivery to the employers and the workers of Ontario; it is to become the most efficient and effective compensation board that we can become, and we cannot do that in our present facility.

Even the landlords of our present facility didn't believe they could provide a proper building for us because they didn't even bother tendering or coming forward at the time we asked for tenders on alternatives or on our future as a tenant. So for all the reasons we've discussed today, it's vital that we be able to provide the service that Ontario wants, and we need a new facility in order to do that; we need an alternative facility in order to do that.

Mr Duignan: Thank you for the answers. As he indicated earlier to an earlier question, the fact is that the return to the pension fund on this investment will be close to \$300 million over the 20-year span. Most important, it also improves the service to clients, which is badly needed. I have some other questions I want to ask; maybe I'll hold off till tomorrow. I will let my colleague ask his question.

Mrs Marland: Did you know the Treasurer tried to stop this?

Mr Hayes: He asked for a legal opinion. There's a difference.

Mrs Marland: He wanted to stop it, Pat. Maybe you didn't discuss it in your caucus.

Mr Hayes: Mr Chair, these seagulls over here just won't stop.

The Chair: Order, please. Ms Haeck.

Ms Haeck: There was a question raised earlier about the performance of your investment fund. All of us who have watched the business climate of late would say that probably there is a general downturn and not too many funds are doing well. What is the performance rating of your fund in relation to other funds out in the market?

Mr King: There had been an earlier reference to a presumed loss of money on the European market. In its last measured year, the Ontario Workers' Compensation Board investment fund measured in the top 7% to 8% of all investment funds of the same sort, so the return by the Ontario investment branch is to be commended. The return of the office tower down on Simcoe and Front is projected by independent evaluation to bring an anticipated average rate of return of 12.8%, which is a good rate of return today.

Ms Haeck: I have a question for the auditor, if I may ask him the following question: According to an auditing definition, what is an asset?

Mr Peters: It's any property, good or chattel that you own.

Ms Haeck: From one of the public accounts conferences I attended, I understand that assets get valued in different ways. Can you provide a valuation over a period of 20 or 50 years of the kind of building that the WCB is undertaking, as Mr Callahan had suggested earlier?

Mr Peters: Let me just answer, first, to the "you." As auditor I cannot, but there are appraisers who probably can provide such appraisals and can also provide projections, although the projections, as you would appreciate, are opinions.

Ms Haeck: Somewhat speculative, one might suggest.

Mr Peters: That's right. You might get a variety of opinions.

1700

Ms Haeck: In fact, evaluating something in a consistent fashion as the market was suggesting—I think Mr Cooper was suggesting that 20 years was pretty much the norm for an evaluation and that to extrapolate it to 50 was somewhat unusual.

Mr Cooper: That's correct. My point was more that in evaluating the return Mr King spoke about at 12.8%, that's looking at what the value of the building may be after 20 years. The valuers tend to use something like 20 years. If I asked you how much a dollar is going to be worth 21 years from now, most people would say, "Nothing, because inflation will take it away in 21 years." It's normally 20 years as a maximum when we look at evaluating a building. If we get return beyond 21 years, it's a bonus; we do better than 12.8%.

Mr Fletcher: Just a couple of things. If this building is built and everything starts running, this is going to benefit people across Ontario, not just in Toronto. Someone in Thunder Bay or someone in Sudbury is going to see the benefits of this, is that correct?

Mr King: Yes. The head office of the Workers' Compensation Board is contained in the proposed new facility, including our information services, which goes out to all of the regions; including our personnel and human resources, which goes out to all of the regions; including our communications branch, which goes out to all of the regions; the many corporate parts of the WCB which will be improved through the move to this office building, and that will show improvements out in the regional areas.

Mr Fletcher: So it's an investment in Ontario, it's an investment that the Ontario taxpayers are going to see a benefit from.

Mr Callahan: Is this a commercial?

Mr Fletcher: It's a lot better than Suncor or the Sky-Dome. Let's look at fiascos and some dumb moves. Let's face it. The two over there made some goofy moves in the past. What we're talking about is investments, and we're seeing an investment that's going to benefit the people of Ontario, not an investment that's going to cost the people of Ontario.

The Chair: Any other questions from the government members? Mr Hayes, do you have any questions? You have time.

Mr Hayes: We're trying to avoid the mistakes that previous governments made in the past, to the benefit of representing—

Interjections.

The Chair: Thank you for your question. Mr Sorbara has a question.

Mr Sorbara: I have a couple of questions. The vice-chair and others have tried to make the case that this is a good investment for the investment portfolio of the Workers' Compensation Board. If the Workers' Compensation Board were not a guaranteed tenant of this building, if you were proposing to invest in the building without the security of a tenant paying, initially, \$26 and change per square foot, would this be a reasonable investment for the Workers' Compensation Board investment fund? In other words, if you were not a tenant of the building, would you be investing in Simcoe Place were there no secure tenant of the type that is now securing the construction price?

Mr King: I don't think I would invest in an empty building going up right now.

Mr Sorbara: You wouldn't invest in commercial real estate in the greater Toronto area right now, is that right?

Mr King: I would receive the counsel of the professional real estate people in our investment division. If you want an answer, likely there wouldn't be investment in commercial real estate in Toronto right now.

Mr Sorbara: So the only basis upon which you can say this is a good investment for the board is that the board itself turns it into a good investment by becoming the principal tenant of the building, isn't that right?

Mr King: That's very true, and that's what makes it such an advantageous situation for the Workers' Compensation Board. We turn our need to have 525,000 square feet of building in order to do our business into a way to pump up the return to our investment fund.

Mr Sorbara: Unless there were alternatives to fulfilling your need for space.

Mr King: From an investment point of view, we would have to find an alternative to whatever amount of money we are going to be putting up by way of equity, the rest of which will be borrowed.

Mr Sorbara: Can I ask why the chairman of the board isn't here today and whether he's going to be appearing during these hearings?

Mr King: I can't speak for the chairman of the board for tomorrow, but he was quite ill for the last several days. Last week he missed three days; quite sick.

Mr Sorbara: During the period when I was Minister of Labour—that was 1987 to 1989—there were ongoing discussions about new facilities for the board upon the expiry, or even before the expiry, of the lease. Those discussions took place between me as Minister of Labour and the chairman of the board, at that time Robert Elgie, and the vice-chairman of the board, at that time Alan Wolfson. The understanding was that the board would not proceed until the government had considered and reviewed the matter of new space by way of a report of the then minister—that was me—speaking to his cabinet colleagues the Premier and the Treasurer, at that time Robert Nixon.

My impression from the way in which this matter has developed is that there was never any discussion between the chair, the vice-chair or the senior administration of the board and the current Minister of Labour and the government. That is to say, it appeared that the proposal to build the new building in downtown Toronto took the government by surprise.

Can you tell us what discussions you had with the Minister of Labour about this proposal, what discussions you had with the Treasurer about this proposal, and whether you ever sought the approval of the government, which after all is a major tenant in the downtown area of Metropolitan Toronto, what discussions you had with the government through the Minister of Labour, the Treasurer, the Premier or the cabinet about this proposal and whether you received the approval of the cabinet to proceed with this proposal?

Mr King: You know some history I'm certainly not aware of. It's my understanding, however, that the previous government was aware of the board's intention to move ahead into a build situation with a developer. You weren't minister for ever. I can only assume that the practice I inherited when I arrived in the spring of 1991, which was for a monthly meeting with the minister for briefing purposes, took place. In so far as seeking approval is concerned, to the best of my knowledge no approval was sought from the government by the Workers' Compensation Board. To the best of my knowledge, the Workers' Compensation Board did not seek the approval of the provincial Treasurer. That's based upon my knowledge of the situation.

Mr Sorbara: Prior to the signing of the contracts, did you advise the Minister of Labour of your intention to enter into a contract of this sort?

Mr King: I assume that the previous Minister of Labour, who would be your successor, was advised by Dr Elgie and Mr Wolfson of their intention to proceed to sign the agreement I inherited when I arrived at the Workers' Compensation Board. I have monthly meetings with the minister to tell him what the items are on the board agenda for board deliberation and he was aware that we were to proceed.

Mr Sorbara: Let's just get our history clear here. The board of directors considered investigating this move in July 1990, three months before the government changed. When I left office, there were ongoing discussions and periodic reports to me as minister as to what the executive of the board was considering or contemplating, or what avenues it was thinking of investigating. There was a clear understanding that the board would not proceed without the concurrence of the government, but the contract you signed was signed not

during our term in office, but almost two years after our term in office ended.

What I'm asking is whether you or the chair ever advised any minister in government that you intended to enter into the agreement that you entered into in 1992. Did you ever advise the government you were going to do this?

Mr King: In terms of the final agreement in June 1992, our monthly briefings of the minister would have included that. You're going to have to speak to the previous chair and vice-chair, whom you probably appointed, as to what they told the government.

1710

Mr Cordiano: There's no documentation surrounding that?

Mr King: These are verbal briefings of the minister. I don't know whether you received written briefings or not.

Mr Sorbara: Was any advice ever given to the Minister of Government Services, who is a major tenant on behalf of all government departments, ministries and agencies? Was there ever any advice given in writing from your office that the Workers' Compensation Board intended entering into a binding agreement requiring the board to participate in a \$200-million building project in 1992? Was any advice ever given to the Minister of Government Services, to the Minister of Labour, to the Treasurer or to any other minister in the government of Ontario prior to entering into that agreement?

Mr King: To the best of my knowledge, the only one who would have been aware of it would have been the Minister of Labour through regular monthly briefings on what the board was doing.

Mr Sorbara: Was there ever any written advice from your office to any minister or from the chairman's office to any minister that the board intended entering into such an agreement?

Mr King: I would have to have the files checked, sir. I'm sorry, but I—

Mr Sorbara: Could you do that and advise us accordingly?

Mr King: I don't believe so, but I couldn't know for certain.

Mr Sorbara: Do you not think it would have been appropriate? Given that the government of Ontario is a major tenant in the greater Toronto area and certainly in the downtown area, do you not think it would be appropriate for you, as vice-chair of the board, to at least advise in writing, formally, the Minister of Government Services that you are contemplating entering into a binding agreement requiring you to participate in a \$200-million office development in downtown Toronto?

Mr King: My personal view is no.

Mr Sorbara: Notwithstanding the fact that the Minister of Government Services and the government itself were re-examining the government's complete strategy in terms of the leasing of space in the Toronto area, and that it had a program of relocation of several ministries outside of the Metro Toronto area to other communities like St Catharines, Thunder Bay and Sault Ste Marie, you don't think it would have been appropriate for you to advise the government formally that you were contemplating such an agreement?

Mr King: The government was advised through the regular monthly meetings with the minister that the board was proceeding with the facility strategy which had started in 1989.

Mr Sorbara: Was there anything in writing from your office or from the office of the chair advising the government formally that you contemplated entering into this agreement?

Mr King: To the best of my knowledge, no.

Mr Sorbara: So you never advised the government formally that you were going to enter into an agreement requiring you to participate in a \$200-million development in downtown Toronto at a time when the vacancy rate in downtown Toronto was bankrupting many, many land development firms, including your current landlord?

Mr King: To the best of my opinion, no.

Mr Cordiano: Could I ask, Mr Chairman, one brief supplementary?

The Chair: A brief supplementary.

Mr Cordiano: I would ask that if in fact there was any written agreement or written documentation informing the minister or informing anyone in the government, you make that available after you make all other documents available to this committee that we've already requested.

Mr King: I have indicated to you that to the best of my knowledge there was no written communication.

Mr Cordiano: I understand that. I just want to make sure that any written documentation is made available to this committee so that it would form part of the information package that we receive.

Mrs Marland: Certainly, we are aware that the Treasurer, Floyd Laughren, asked that the option of cancelling this palace construction for the Workers' Compensation Board be investigated. That was reported in all the Toronto newspapers, that Mr Laughren wanted to see if this project could be stopped, as of last November, two months ago. Obviously, at that time the Bob Rae socialist government was concerned enough about this project that the Treasurer asked to have the option of cancelling the contract investigated.

Mr King: would you like to tell this committee what your role was in investigating that option, and could you tell us what direction you received from Mr Laughren, the Treasurer, to see if you could get out of building this building?

Mr King: You, fortunately, know as much of the provincial Treasurer's opinion on the matter as I do, because I have never spoken to the provincial Treasurer. I merely read the same press reports that you read. No approach was made to me asking how we get out of the deal or can we get out of the deal.

Mrs Marland: Maybe not you personally, but obviously this is a question directed to you as a representative of the board. I think the newspaper account refers to the fact that the request was going to be made of the board, perhaps through Mr Di Santo. Although you may not have spoken with the Treasurer, have any of your board members or your staff spoken to the treasury staff or the Treasurer himself on this matter of cancelling the contract?

Mr King: At the bureaucratic level in the board, which we represent, I'm unaware of any discussions that may have taken place with the treasury officials. Please understand that

I have been trying to determine whether the board has options. One does not have to be particularly acute to realize what the situation is in real estate at the present time.

Possibilities are being explored, but this is getting into a pretty arcane area, to ask what might the costs be to breach a duly signed contract. The best you could probably get is a range. It may cost X dollars if you come in breach of the contract, but anything I'm doing in that regard is in my capacity as vice-chair of administration, and at the time when it comes to advise the board, as I must advise it from time to time, if any of them start asking the same questions this committee is asking, I have the thing under consideration, but not in response to a question from the provincial Treasurer.

Mrs Marland: I'm encouraged to hear you say that you too have been looking at this option. If you have been looking at this option, then are you saying you don't think it's a good deal any more?

Mr King: No, that is not what I'm saying. I think that any good manager has a range of options laid out before him so that if asked certain questions you can give responses. I show no weakness in my support of the position, but I'm aware that others may question very strongly the board's decision to move ahead on Simcoe Place, and as a good manager, I feel I should have some intelligent response to those sorts of questions.

Mrs Marland: You're saying that to your knowledge no one, either a staff member of the board or a member of the actual board, had any conversation with the Treasurer, Floyd Laughren, or any of his staff on cancelling this contract.

Mr King: I believe that the chairman of the board probably was in touch with the Treasurer. What they spoke of I don't know.

1720

Mrs Marland: So does the chairman of the board operate in an autocratic style where he would make decisions solely on his own without going to the rest of his board, or certainly to you as vice-chairman?

Mr King: I believe the present chairman of the board is probably the most democratic chairman there has been in many years and that he involves the board in almost everything we do.

Mr Sorbara: You didn't know Robert Elgie.

Mr King: I'm a good personal friend of Dr Elgie.

Mr Sorbara: Odoardo is more democratic than Bob Elgie? I don't believe it.

Mrs Marland: So what you're saying is that what we read about in the press, and two of the dates of the clippings I'm looking at—one was the Toronto Star, December 1, 1992. The headline says, "NDP Seeks Legal Call on Killing WCB Deal."

"Ontario Treasurer Floyd Laughren has asked for a legal opinion on scuttling the province's \$150 million"—they're complimentary to you here on the amount—"commitment to build a Workers' Compensation Board headquarters that opposition members have branded a 'ridiculous venture.'"

"But Laughren yesterday cautioned 'there may be legal obligations that are very, very difficult to get out of.'"

The suggestion here is that Mr Laughren, the Treasurer, was looking at the option of getting out of this contract, and it would be difficult to imagine for a minute, knowing Mr Laughren as I do and having the respect for him that I do in terms of how he goes about doing his homework, that he would make this decision in isolation without speaking to anyone at your board.

Mr King: I indicated to you that I believe he and the chair of the board, Mr Di Santo, had some discussion. I, by the way, read very carefully the Hansard record of the Treasurer's comments, and I believe if you check, you will not find quotes from the Treasurer in the article you just read. I believe the media perhaps had put certain words into his mouth related to the Hansard proceedings, and if you go back and you review your Hansard, I think you'll see that.

Mr Sorbara: I just have a supplementary to Ms Marland's question, if I might, Mr Chair.

The Chair: I was going to wrap it up very shortly. It can be a very short supplementary.

Mr King: Yes, I was going to ask—

The Chair: Mr Fletcher has some questions, I have some questions, our Provincial Auditor has some questions, so one brief supplementary.

Mr Sorbara: You were saying to Ms Marland that you were looking at options. Just assuming for the moment that the agreement is tight and binding, notwithstanding that the financials haven't been worked out, but that there is legal liability, at least theoretical legal liability, do you honestly believe that those who would be suing the Workers' Compensation Board, namely, the Toronto-Dominion Bank and Cadillac Fairview, would be going after the Workers' Compensation Board, and by extension the government of Ontario, for the last drop of legally binding blood in the event that the board in its wisdom chose to not complete this deal? Do you realistically think Cadillac Fairview would undertake that sort of strategy, at a time when it is trying desperately to create a better business climate in the province of Ontario?

Mr King: Cadillac Fairview, as an example, maybe has some empty space and might be prepared to talk to us about getting out of this deal. I think the party that might be most aggrieved would be the CBC, because this may be the only game in town for it for the next 10 years. That's probably the group that would be most anxious to have their lawyers talk to our lawyers.

Mr Sorbara: Do you really think that the public of Ontario and Canada would tolerate the Canadian Broadcasting Corp trying to force the Workers' Compensation Board into building a building which currently is not advisable to be built in the province of Ontario? Do you think the public would tolerate that, the new Prime Minister of Canada, whoever she or he might be, that this would happen? Is it not more realistic to think that a proper decision could be made to simply bring this deal to an end now and work out the details about how the pieces would be picked up and put back together?

Mr King: One always hopes that people would sit down and rationally discuss issues. Having dealt with some of these parties in the past, I believe all of them have large law firms

on retainer and I'm not too sure it would become such a rational discussion as you're suggesting.

Mr Sorbara: My suggestion to you is that it's just not reasonable to think that sort of lawsuit would ensue.

Mr Fletcher: Correct me if I'm wrong. Is it a statute or under the legislation that the Workers' Compensation Board has to be located in Metro Toronto?

Mr King: Yes, the head office of the board has to be in Toronto.

Mr Fletcher: In other words, looking outside the city for space would be—could you do that?

Mr King: Presumably, if we had a head office of four people. These are lawyers' questions.

Mr Fletcher: I was just thinking of the relocation of other ministries such as Mr Sorbara had raised, where Agriculture and Food went to Guelph or somewhere else, and the registrar general to Thunder Bay. I was just wondering, as far as that's concerned, right now it's saying that the location has to be in Toronto.

Mr King: That is correct.

Mr Sorbara: Guelph already got a head office.

Mrs Marland: Just for the record, in the Globe and Mail on November 19, 1992, there is a quote attributable to the Treasurer:

"I'm concerned about it," he said in an interview, noting that he has spent the past two years trying to get departments and agencies to accept the financial squeeze facing the government.

"Mr Laughren has asked senior WCB officials for a meeting to explain why they want to move into a new building at Simcoe and Front Streets."

Mr King: That may very well have been the meeting I suggested occurred between the chair and—

Mrs Marland: He was concerned about it.

Mr King: I never suggested he wasn't concerned. I'm saying he never asked me for a legal opinion.

Ms Angove: He also got up in the House and confirmed that he did have a legal opinion that confirmed we are in a legally binding transaction. That was from the Treasurer.

Mrs Marland: That's fine, but he sought the legal opinion because he thinks it's a rotten deal. He doesn't want to spend this money on behalf of the people of this province, and an arm's-length government agency is still the people of Ontario's money.

The Chair: Thank you. That should do it for committee members. I have a couple of short questions and our Provincial Auditor has a number of short questions. If you're unable to answer them today or don't have the information, I'd appreciate it if it could be noted and the material could be made available.

Mr King, as the vice-chair of administration, do you sit in on the regular briefings of the Minister of Labour?

Mr King: Yes, regularly. I miss occasionally, because I have a lot of other things to do as well.

The Chair: Have you ever attended a meeting where the Minister of Labour was briefed on this transaction; that is, the discussion before this committee today?

Mr King: In all honesty, I would have to check my calendar to see if I attended the briefing on this particular issue. I simply don't recall whether I was there last April, but I can certainly answer that tomorrow.

The Chair: Would you agree that a matter of this magnitude probably caused more than one briefing of the minister to take place?

Mr King: Well, the minister has staff who can brief him. For instance, we provide issue sheets to the minister on various items at his request or the request of his staff, so I'm sure he's been briefed by his own staff on the matter.

The Chair: You believe then that information which emanated from the board office, some of it even from your own office, could have ended up in the hands of the minister's personal staff and then into the minister's office.

Mr King: Once a month, we discuss what the board is generally doing and what's on the agenda for the board of directors' meetings.

The Chair: Mr King, I'm assuming you would probably have more knowledge on this subject matter, or maybe the people with you today would probably have more intimate knowledge on this subject matter than, say, the chair of the board, who has overall, global responsibilities for the operations of the board.

Mr King: Most certainly. The board is a multibillion-dollar operation and this is one part of that multibillion-dollar operation.

1730

The Chair: It would be appropriate then for me to assume that either yourself or any of the people with you today would have been in on the briefings that would have been given to the minister. I'm trying to narrow down the scope of people who have the capabilities to answer a list of questions that an energetic minister like Mr Mackenzie might have.

Mr King: I can certainly determine who was at the ministry briefing. I'm not certain, in this particular province, what the client-solicitor privilege or the bureaucrat-politician situation is and whether or not—

The Chair: I'm not asking for any detail. I just want to know whether or not you or anyone else at the table today sat in on briefing meetings of the Minister of Labour and exchanged information and answered questions. I haven't asked yet about confidential briefing documents or maybe some political comment that the minister might have made or some confidential information you might have given to the minister. All I want to know is who at the board would have attended these meetings in your absence, made representations to the minister and answered the minister's questions.

Mr King: I'll have to provide that information tomorrow. Just a quick poll here: None of the three with me today recalls having personally attended the briefing at the ministry, but I should be able to get that information for you tomorrow.

The Chair: It's my intention to call that person or those persons as witnesses.

Mr King, would you say that the relationship between the Workers' Compensation Board and the Minister of Labour is friendly, cordial and professional?

Mr King: Yes.

The Chair: Why then, if that is the case, would you seek legal opinion to extract the Workers' Compensation Board from the requirements of section 64 of the Workers' Compensation Act, which reads, "Subject to the approval of the Lieutenant Governor in Council, the board may purchase or otherwise acquire such real property, as it may consider necessary for its purposes, and may, with the like approval, sell or otherwise dispose of any such property"?

Why would the board, with your knowledge and acquiescence, and the people with you today—if you have that kind of relationship with the minister, with these words being as clear as they are—seek outside legal opinion that would allow you to circumvent the protection of the public that is in this legislation?

Mr King: I think I had indicated to you earlier that I wasn't the one who sought that advice. To my knowledge, an opinion was sought for the board of directors prior to my coming to Ontario, and in addition to that I believe I indicated earlier that Dr Elgie sought his own personal opinion to make sure that he was on clearly solid legal grounds to proceed with the matter.

The Chair: So the legal interpretations we are going to receive from the board tomorrow, hopefully, will show by date that the relief sought by the board in regard to section 64 was done by Dr Elgie?

Mr King: That's one of them, and the other one would have been done for the board of directors. I don't know to whom it was addressed. I'll have to find out.

The Chair: Do you have any idea what that date might be?

Mr King: Some time in 1991.

The Chair: In 1991, the Minister of Labour was Bob Mackenzie, the same minister we referred to only a minute ago, where we all concluded that the board's relationship was friendly, cordial and professional. If that is the case—

Mr King: I'm sorry; there's a 1990 opinion as well. It may have been after the election that Dr Elgie sought an additional opinion. I don't know. I haven't talked to him in particular about this.

The Chair: Have you yourself reviewed section 64?

Mr King: Yes.

The Chair: How do you read section 64?

Mr King: I read section 64 that the board should not purchase or dispose of real property without the permission of the Lieutenant Governor in Council.

The Chair: Do you not agree that what you are doing in the construction of this new headquarters is in fact just that?

Mr King: The interpretation that the lawyers put on it is that this is an investment—

The Chair: I'm asking your opinion, Mr King. I'm asking your opinion as the vice-chair of administration.

Mr King: It's not the most comforting position one could be in, but it is a valid investment for the Workers' Compensation Board investment—

The Chair: Please, Mr King, I didn't ask about whether the investment was valid or not. I want to know how you, as

one of the chief and senior administrators at the WCB, interpret section 64, and then I want to know whether or not in your view the proposed head office is in fact part of section 64, that there should be compliance with section 64.

Mr King: First off, I don't believe there is non-compliance with section 64. But you asked me whether I was totally comfortable, and I said no, I'm not totally comfortable—

The Chair: I didn't ask you if you were comfortable; I asked you whether you agreed with it.

Mr King: —but I think we're in a legally correct position. There is a difference.

The Chair: We only know whether we're in a legally correct position or not when something is litigated in court and an officer of the court—a judge or a panel of judges—renders a decision. The fact that a lawyer, a group of lawyers or anyone else says something is legal or illegal doesn't mean anything until it's adjudicated. That's why to me it's important to know how the senior administration of the board is thinking and whether it's adversarial. To me it appears to be adversarial, because I look at section 64 and to me it's very clear: You can't buy any property and you can't dispose of any property unless you get approval of the Lieutenant Governor in Council, and that is the cabinet and your minister, the Minister of Labour. So I view the situation as a little bit more adversarial than I would have hoped it would be.

Mr King: Can I give you a bit further? I had indicated earlier to the committee that I arrived in April 1991, as did Mr Di Santo. The week prior, the board of directors had unanimously voted to proceed with this project—unanimously. It's our job to give advice to the board of directors, and we are prepared to do that. The board of directors then moves ahead and makes decisions.

There was a difficult time period of accommodation or getting to know each other between Mr Di Santo and I and the board, as I believe they may have been suspicious about the socialist tendencies of Mr Di Santo and Mr King. Actually, I believe the committee that questioned my appointment questioned me about my beliefs. I believe the board was jealously guarding the new facility as a good business deal against people who might have wild left-wing ideas and try to—I mean, I'm trying to give you the climate that was going on.

The Chair: I appreciate that, Mr King, but I can only deal with what I have before me and what's written in law.

Mr King: Yes, I appreciate that.

The Chair: That's why I want to deal with section 64.

Would you agree with me that this transaction is not an arm's-length transaction?

Mr King: In what sense, sir?

The Chair: In that you're spending funds to build a building and then you're renting the building to yourselves, causing further expenditure of funds.

Mr King: In my view, this is the Workers' Compensation Board pension fund making an investment in a real estate transaction, and it is the Workers' Compensation Board as a tenant making a long-term lease at advantageous terms.

The Chair: Mr King, how long have you been a public servant?

Mr King: Something like 20 years.

The Chair: So you have great experience with what would be considered an arm's-length transaction or a non-arm's-length transaction.

Mr King: Yes.

1740

The Chair: With all your years of experience, would you agree with me that this could be considered a non-arm's-length transaction?

Mr King: I have a difficult time as the one in the middle between the tenant on the one hand and the investor on the other saying what the interest of the corporation is when the investor is making an investment and the tenant is making a decision to move in.

The Chair: Let me see if I can help you. I perceive an arm's-length transaction to be that you own a building, you and I have no personal relationship or family relationship or any other business relationships, and I come to you and say: "I wish to lease X number of square feet. Give me the market rate or better and we'll see if we can do business." That is an arm's-length transaction. Would you agree?

Mr King: Yes.

The Chair: Right. Now, you and I have a pension fund we own together—it's for a group of individuals—and we both have something to do with it. Then you and I and a third party decide we're going to build a new building, we're going to use the money from that fund that we have something to do with to help finance it, then we're going to rent it to ourselves. Do you consider that an arm's-length transaction in the true sense of the word?

Mr King: There is a veil or a wall up between the two positions. I'm the one who's sort of the wall.

The Chair: How can you be the wall if you're here before us answering all the questions?

Mr King: Because you asked me to come.

The Chair: You were sent by your chair because he was unable to be here due to ill health. Surely he sent you because he thought you were the most capable person to answer these questions.

Mr Duignan: On a point of order, Mr Chair: It is my humble belief that as Chair of the committee you should be in a position of impartiality. If you want to continue cross-examining the witnesses like this, maybe you should vacate the chair.

The Chair: As a former Chairman of the committee that worked on committee rules and House rules and having served under Michael Breaugh, the former esteemed member for Oshawa, who helped set up a lot of these traditions, I am doing no differently this afternoon than what Mr Breaugh did as Chairman for innumerable years here in the Legislature.

Mr Sorbara: I'm wondering if I could put in a request for a supplementary to the questions you've asked.

The Chair: I gave everybody lots of time for questions. I told the committee members two or three times that when you had finished all your questions I had a series of questions. Some people view them as adversarial; I'm sorry to hear that. Then I said that the Provincial Auditor had a short series of questions.

Mr Farnan: On a point of order, Mr Chairman: I have no objection to your asking questions. However, in fairness, I would think there are many members around the horseshoe here who would envy a time allocation equal to what you are enjoying.

The Chair: I checked the clock.

Mr Farnan: I would say to you that only in the area of time allocation maybe are you abusing the office of Chair. With 15 minutes remaining, I would suggest that five minutes be allocated to each caucus.

The Chair: I have no problem with that. I foresaw your point being asked and I appreciate the point you made.

Mr Farnan: Maybe it's time for the auditor to make a statement.

The Chair: I've done a quick tabulation and I have not used up any more time than any other individual member. As a matter of fact, I could name three members who have used up considerably more time than I have, which was their choice, which was the choice of the individual caucuses and the choice of this committee. I will make sure I do not use up any more time than any other members of the committee, but thank you for allowing me to do so.

I also want to ask Mr King, would there be a more appropriate person, other than yourself, who could answer the question about whether or not this is an arm's-length agreement?

Mr King: As I'd indicated to you, in order to make sure I can determine what options are available to us, not because I think it's a bad deal but because I think others might ask that question, I have retained for my own purposes a set of counsel in order to advise me on the matter, and I suspect they may be the ones, who are not working for either the investor or the tenant but for myself, who might be better able to answer a question like that.

The Chair: Thank you. The Provincial Auditor has some questions, and then we're going to have five minutes for each caucus, if they wish it.

Mr Peters: I'm asking my questions essentially because the motion on the floor is whether we should do a value-for-money audit. My questions are really aimed at getting some information that might help us to determine whether such an audit is appropriate and how we should proceed.

The first one, following up a little on these questions: Could you somehow develop for us, not tonight but at the next session, the legal framework within which the Workers' Compensation Board accident fund makes this investment, in the overall, so that there is a legal view as to what is arm's length and what is not arm's length, and how the fund is managed as opposed to how the board is managed, as a separate management, these sort of questions, to just determine what the legal framework is within which this operation takes place.

Mr King: Yes, we can do that.

Mr Peters: The second one, similarly, is whether you could also outline, maybe in a fairly concise form for the members to understand, the financial framework—

Mr King: I can't hear the question.

Mr Peters: I guess we lost the Chair for a moment—what the financial framework is like, how the fund's flow is going to operate, what funds will flow to whom from whom.

In this connection is a very specific question: You made reference to the borrowing, that the Workers' Compensation Board will borrow funds for this investment and not all the funds will be funded. The question is, does the board have the power to borrow? If you wouldn't mind addressing that particular question.

Mr King: Yes.

Mr Peters: The last one is just again on the value-for-money basis, because it might influence it. Once the decision was made to use the accident fund for the funding, did that in any way limit the extent of your search for alternatives? You can answer that directly if you wish, but I wanted to raise that question because once in your testimony you referred to the fact that the existence of the contract stopped you from doing certain things.

Mr King: Yes. The alternatives were no longer explored after the March 1991 meeting of the board of directors where the board directed the administration to proceed to negotiate the final items in the agreement with the partners: Cadillac Fairview, Toronto-Dominion Bank, Bramalea and CBC. It would have been from March 1991. Other alternatives were not looked at after that.

The Chair: Mr Callahan.

Mr Callahan: I just want to get this clear. The act prevents you from borrowing or purchasing land without consent of cabinet. Let's not use "Lieutenant Governor in Council." I always find that's deceiving to the public. It's the cabinet, the government.

What you did was, you set up a numbered company, which has the power to borrow, as an Ontario company does, which borrows the money to build the building along with its partners and thereby gets around WCB's no-no of doing these things without government approval. Isn't that right? And then WCB leases the building from that numbered company.

Somebody must have gone to a lawyer and asked that question, because it's a neat one. It's like, "How do we get a building built without having to go and get government approval?" The lawyer says, "Well, you can't do it under the act because it says you've got to have government approval." "So how can we do it?" "You can do it by setting up a numbered company," and the numbered company does the things I've just suggested. They become the inviolate corporate veil that you can't pierce, that has all the powers to borrow, to build and all the rest of it, and WCB just becomes a long-term tenant of that numbered company. That's exactly what happened, isn't it?

1750

Mr King: Our investment fund or pension fund does not invest in real estate as the Workers' Compensation Board. It invests through numbered companies because if we go out and purchase an investment, we don't necessarily want it known it's us because it may affect price, it may affect whether someone is foreclosed and a few other things. So all of our investing on the real estate side is through numbered companies.

Mr Callahan: Okay, but that in fact gave you the ability to bypass the government, which is what was done.

Mr King: Look, this all happened before I got here when you guys were in there.

Mr Callahan: I know. No, no. When I say, "gave you," I'm talking in terms of the royal "you"—not you "you," but the WCB. So, just finally, if it turns out that they're wrong—I mean there's a principle in law that you cannot do indirectly what you can't do directly. It seems to me that's exactly what has happened here. You have done indirectly what you cannot do directly and as nice as that legal opinion may be, I think if it were to be found, it's more than just because of your pension fund that that's the reason it was done.

The people on the other side of the coin may very well find themselves faced with that proposition being thrown at them by a judge, that you've tried to get around the government. It's clear you did because the Treasurer didn't know about it. The Treasurer is reported as disclaiming any responsibility for this that he's going to talk you out of buying it and suddenly I see the government members over there praising the accolades of this whole thing. So I have to decide that the Treasurer has changed his mind. He's now in favour of it.

Mr Sorbara: Just following up on the Chair's questions and back to section 64, there is a sense that there is some qualification on the efficacy of this transaction because of the absence of cabinet approval, notwithstanding that the building is being invested in through the investment fund. The board becomes the tenant and there is a non-arm's-length transaction. As a real estate lawyer, I would look at the title and I would read section 64 and I would say, "Hmm, maybe there is not good title in the lease because the board has not done what it's required to do under section 64."

Now this matter, having been raised, can be cured very simply. The Workers' Compensation Board, subsequent to your arrival and before the deal is signed, can go to the cabinet and say: "Look, we are about to enter into this transaction. We think we have structured it in a way that does not force us to get your approval as the cabinet under section 64, but we would be airtight in this deal if we got cabinet approval. So would you please approve this to make sure that this real estate transaction cannot be challenged by any title searcher down the road?" Did you give that advice to the cabinet, to the chair or to anyone that cabinet approval be sought just to ensure this transaction could be airtight?

The Chair: Mr Sorbara, your time is up.

Mr Callahan: That's a good way to do it. I think Floyd will give it to you now.

Mr King: I cannot tell you in honesty whether I discussed this with the chair. It certainly went around in my own mind as to whether this possibility should be explored.

Mr Sorbara: Would it not be a good idea now to go to the cabinet and get its approval just to ensure that the deal is not attacked under section 64?

The Chair: Mr Sorbara, your time has expired. If there's an answer, I'll allow the answer. If there's no answer, we're going to move right along.

Mr Farnan: I think it's time we moved on to the next question.

The Chair: You're absolutely correct, Mr Farnan.

Mr Tilson: We'll ask the question. Do you not think it would be wise to receive permission from the cabinet?

Mr King: It probably would have been easier. I maybe don't understand the culture in Ontario, not having come from Ontario.

Mr Sorbara: The culture?

Mr King: Yes, the culture. Where I come from, the workers' compensation boards enjoys a true arm's-length relationship from government. I've served as chairman of the board in two different provinces and I never received an order from a minister.

Mr Tilson: Did they have numbered companies where you came from?

Mr King: To invest in real estate, we did.

Mr Tilson: Did you? Who are the shareholders of this numbered company?

Mr King: The WCB owns the shares.

Mr Tilson: I'm sure they are. Mrs Marland has a question.

Mrs Marland: Mr King, as the afternoon has proceeded, you have said that you can't answer some of the questions because you were not here at the time. However, did you not say that this final contract was signed in June of this year?

Mr King: That's correct.

Mrs Marland: Are you proud of that? I mean, you were here in June of this year. You've been here since April 1991. You said the final contract was signed in June of this year. You can't hide behind the shroud of "I wasn't here." You were vice-chairman when this contract was signed six months ago, and six months ago the economy of this province and the situation of available leased space in the greater Toronto area was the same as it is now. So are you proud of the agreement to build this 30-storey building on land that you don't own in the most expensive real estate in Toronto?

Mr King: I am personally not apologizing for anything I did during the period of time I have been here. I am proud that the WCB of Ontario has come up with the best possible business case for itself both as an investor and as a tenant. Unfortunately, the timing could probably not be worse.

Mrs Marland: Are you proud of the fact that you may have violated section 64 of the act?

Mr King: I believe it was sheer speculation that the board is in any violation of section 64. I have two and possibly three legal opinions from rather august law firms that we are not in violation of section 64. Rather than speculate, I believe your colleague suggested maybe legislative counsel might look at it before we begin pointing fingers about people in violation of the law.

Mrs Marland: And you're bringing those opinions tomorrow.

Mr King: That's correct.

The Chair: Mr Fletcher and then Mr Hayes.

Mr Fletcher: I'll defer to Mr Hayes.

Mr Hayes: Thank you, Mr Fletcher. Mr Chair, there have been a lot of accusations thrown back and forth and at the board and also at the Treasurer. Just for the record, because there are comments about whether the Treasurer was concerned at one time and is not concerned now, let me read

from Hansard. This is from the Treasurer in response to a question from Mr Offer.

"It was my understanding that before the present chair of the board took his job at the board, an agreement had been reached, and I think unanimously, by the directors of the Workers' Compensation Board, including all of the employer representatives on the board, that such an arrangement should be struck and that they should proceed with the construction of a new building."

He also goes on to say: "I think you should separate my responsibilities from those of the board of directors of the Workers' Compensation Board."

"I did ask for a legal interpretation as to what extent what had already been done was legally binding on the board of directors. I didn't make any commitment to approve or disapprove of the project, because I'm sure the member opposite would not want us to become engaged in an expensive lawsuit if that was to be the final outcome. I've simply asked for a legal interpretation to determine just what the status is of the obligations already undertaken by the board of directors of the Workers' Compensation Board, not by me."

In other words, I believe the question is that the concern the Treasurer did have was that something had already taken place, a decision to do something before the present chair was even here or probably before even this government was here, and the Treasurer was finding out if he could really get involved, whether it be legally or not. I think that should certainly be put on the record.

Mr Tilson: He was here in June 1992.

Mr Farnan: Just a couple of quick questions: Prior to your arrival at the board, Mr King, and the arrival of Mr Di Santo, would it be fair to say that something of a head of steam had been generated around this issue and that in fact the activity around this issue increased with the imminent prospect of your arrival?

Mr King: I had indicated that the week before I was appointed and took office, the board of directors unanimously voted to proceed to the detailed negotiations on the project. I want to agree with one of the members on my right, however,

that I accept responsibility for the decision at the present time. I'm not trying in any way to duck from that. You inherit something but then you have to make it your own. We inherited a unanimous opinion by the board of directors that they wanted to proceed with this building. We could probably have counselled that they stop and not proceed with it. I repeat what I said earlier, however, notwithstanding what one hopes is a short-term significant problem with commercial real estate in Toronto, that from any strategic point of view, this is a good decision from both an investment and a tenant point of view.

Mr Farnan: I think the point I'm trying to make is that the decision is not a decision in one day, one week, one month or a year. It's a decision that has some kind of continuity over several years and indeed over several administrations, I would suggest. I think the point that has to be emphasized, certainly to my community in Cambridge, is that if you are to walk away from this kind of decision, there are very serious consequences. Is that not the case?

Mr King: At this point in time, if we were to become in breach of contract, it would have very significant financial implications for the WCB.

Mr Farnan: The final summation then would be that you have a project that can provide accommodation at approximate market rental value but that would have severe consequences to the taxpayer ultimately were you to walk away from it.

Mr King: I stress the early part of our presentation. This is a good deal for both the Workers' Compensation Board as investor and the Workers' Compensation Board as tenant. It will improve the service to the public of Ontario, the employers and the workers of Ontario. It is a good deal for Ontario.

Mr Farnan: All of the worker reps and all of the business reps on the board unanimously supported the project?

Mr King: They unanimously supported the project in March 1991. There was one demurring vote in May 1992.

The Chair: Time has expired. The committee is adjourned until 10 am tomorrow.

The committee adjourned at 1803.

CONTENTS

Monday 11 January 1993

Workers' Compensation Board P-187

Brian King, vice-chair, administration
Linda Angove, board secretary and project director, long-term facilities strategy
Vivian Varnam, project controller, long-term facilities strategy
Glenn Cooper, executive director, finance

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- *Hayes, Pat (Essex-Kent ND)
Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
O'Connor, Larry (Durham-York ND)
- *Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

*In attendance / présents

Substitutions present / Membres remplaçants présents:

Farnan, Mike (Cambridge ND) for Mr Frankford
Fletcher, Derek (Guelph ND) for Mr Johnson
MacKinnon, Ellen (Lambton ND) for Mr O'Connor
Marland, Margaret (Mississauga South/-Sud PC) for Mr Cousens

Also taking part / Autres participants et participantes:

Mishchenko, Nick, director, special assignments branch, Office of the Provincial Auditor
Otterman, Jim, Assistant Provincial Auditor
Peters, Erik, Provincial Auditor
Sciarra, John, administrative assistant to Provincial Auditor
Turnbull, David (York Mills PC)

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



P-18

P-18

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Tuesday 12 January 1993

**Standing committee on
public accounts**

Workers' Compensation Board

Office of the Ombudsman

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Mardi 12 janvier 1993

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des comptes publics**

Commission des
accidents du travail

Bureau de l'ombudsman



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Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Renseignements sur l'index

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday 12 January 1993

The committee met at 1019 in room 151.

WORKERS' COMPENSATION BOARD

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. The committee is continuing its hearings regarding its review of the Workers' Compensation Board's decision to construct a new \$180-million headquarters in downtown Toronto.

Yesterday afternoon, the committee members asked our panel of visitors representing the board numerous questions, and we received the assurances of Mr King, the vice-chair of administration, that we'd have some of the answers this morning. I was wondering how we were making out in obtaining the information, before we carry on.

Mr Brian King: Mr Chairman, as you've explained, the time has been somewhat limited, given that we testified till after 6 o'clock last night and only had effectively an hour this morning during business hours when certain files were available. We have available for the committee the Atkinson legal opinion on section 64, which all parties were interested in and which the Provincial Auditor was interested in. In addition, we have an opinion on the investment from the consulting firm of Drivers Jonas, and we have a report from Royal LePage on the real estate market. In addition, we have a copy of the entire contract available for the committee.

We are presently trying to inform the parties who sent us these consultant reports that we're tabling them with the public accounts committee, and all we would ask at this point in time is to allow us the time to notify them. I can hand them out right now, but not to distribute them beyond the committee until we've informed the parties that we're handing them to the committee. That's being undertaken right now.

The Chair: We can put a moratorium on the public distribution, say, until 11 o'clock. Mr Tilson?

Mr David Tilson (Dufferin-Peel): I'm sorry. Perhaps we should let him finish what he was going to present to us.

Mr King: In addition, we have many other documents and there were other questions asked. We simply haven't had the time to pull that together or to provide the special reports, because there were some that we don't have readily available. We would have to put them together.

Finally, because there was a good deal of interest expressed in the section 64 situation, and with respect to the potential exposure of the WCB, should the deal collapse at our instigation. I've asked Ted Smith to attend this morning. Ted is acting on behalf of the Workers' Compensation Board and is with the firm of Aird and Berlis. He can answer questions and perhaps can lead off with a brief explanation. I'll ask Linda Angove to distribute the documents I've described. Could I ask Mr Smith to make some opening comments before questions of the committee?

The Chair: Did you have something, Mr Tilson?

Mr Tilson: To be fair to the delegation, I understand that there may have been a misunderstanding as to what this committee wanted. I understand that we kept you here till 6 o'clock and rushing around your office trying to find material; I understand that.

I would assume that you would be having the information you have indicated to us available to us, and there hopefully will be other documents that you would be making available to us. You said you had the contract available. I would hope that you would have the contracts, plural, available because there's a series of contracts that I think the committee would, to properly understand the process—to see all the contracts, all the proposals, the form of the tender—we don't know that yet—the impact studies, the opinions that you indicated you had with respect to the investment you have spoken of. All that material I understand will take some time to be made available to us.

Even if it was made available to us at the hour of 10:25, I and members of my caucus and I think all members of this committee would want some time, and I'm sure Mr McLellan would want some time, to look at those documents. It would be hoped that representatives, perhaps Mr Di Santo if his health improves, could come back at a later date, whether that be in March, April, May or sooner. We may be revising our timetable after we've had an opportunity to properly review these documents so that we could put intelligent questions forward, if indeed there are questions.

That is my purpose in interjecting at this time. Even if those documents were available, hopefully the delegation or Mr Di Santo—if there could be some indication that it would be in a position to return to this committee at a later date, after we've had an opportunity to review those documents.

Mr Noel Duignan (Halton North): I disagree with Mr Tilson. Mr Chairman, I'm waiting anxiously to hear what the legal opinion is on this particular thing to see, is this deal a done deal or in fact is it worthwhile for this committee to pursue this, because we could end up wasting taxpayers' money here. I understand this is the agreement here, if I'm not mistaken, the four volumes in front of us. This information is available to anyone under FOI, if I'm not mistaken.

Mr Tilson: Mr Chairman, the subject is not just as to whether or not this is a done deal, to use the words of the Treasurer, and that may well be the case. The delegation has indicated the legal opinions it has. I'm sure their solicitor is going to come forward and say, "Yes, it's a done deal," and that may well be the case. I'm prepared to listen to what he has to say. We're also looking forward, with all due respect to the solicitor, to a more independent opinion from the government solicitors as to the interpretation of section 64.

Aside from that, Mr Chairman, we're talking \$180 million, and I think it is reasonable to know all aspects of all matters involving the purchase and construction of this building. If you look at the wording of the motion which was passed by

this committee, we want to look at whether the whole process has been conducted properly. It's not just a subject as to whether it's a done deal if section 64 has been complied with. There are a whole slew of other matters I think it's imperative this committee look at.

Mrs Margaret Marland (Mississauga South): Yesterday Mr King said that he was going to bring forward the legal opinions he had received. I think you said you had received—you went from one to several during the afternoon, and I see that the two that have now been circulated by the clerk of the committee are both from one individual, Mr Atkinson with Aird and Berlis. Have you already explained who the other opinions are from and when they are coming?

Mr King: There is another opinion, as I recall, from a solicitor representing the Workers' Compensation Board as investor. I previously indicated, perhaps before you arrived, that given the time constraints on us, we put together what we could find in the little amount of time, but I'm prepared to indicate that we can provide additional material before the end of this week, including the additional aforementioned legal opinion that's in addition to Mr Atkinson's opinion.

Mrs Marland: Yesterday you said you had several. Are you now saying you only have two?

Mr King: I said two or more.

Mrs Marland: I guess we'll see what it said in Hansard. I heard you say several.

Mr King: I said we had two and possibly more.

Mrs Marland: Okay. Can you tell us the name of the other two you're referring to?

Mr King: I believe the one opinion is from Rob Collins, and I could not recall the name of the other one. That's why I was purposefully indicating that I seemed to recall another one but I couldn't be sure.

Mrs Marland: And is Mr Collins in private practice, or would we be able to find him in—

Mr King: He is in private practice.

Mrs Marland: Okay, and you said to him something about another "as an investor." What did you mean when you said "as an—

Mr King: I'm sorry, I missed the question.

Mrs Marland: Do you want to speak to him first?

Ms Linda Angove: No, it's okay.

Mrs Marland: Okay. You said something about "as an investor." You said "an opinion to the WCB," and then you said something about "as an investor." What did you mean by "as an investor"?

Mr King: The workers' compensation investment fund has to be sure that it is legally authorized to make investments under the Pension Benefits Act and in addition under the Workers' Compensation Act, so if it had any doubts whatsoever, it would seek legal advice on its own as to whether it was involved in legal investment transactions. That's what I meant when I referred to the WCB as investor.

Mrs Marland: Under section 64, Mr King, where it says, "Subject to the approval of the Lieutenant Governor in Council, the board may purchase or otherwise acquire such real property as it may consider necessary for its purposes,

and may, with the like approval, sell or otherwise dispose of any such property," there is no reference in there to the pension fund and the argument that Mr Atkinson gave. Did you not question that yourself?

1030

Mr King: I don't believe I understand your question. The previous chair of the Workers' Compensation Board, Dr Elgie, wanted to know from the corporate board point of view whether or not the facility fell within the legal requirements of the Workers' Compensation Act. In addition to that, the investment arm of the Workers' Compensation Board wanted to be certain that the investment was going to be legal, and it sought an individual opinion. I don't quite understand your question. I apologize for being a little bit thick this morning.

Mrs Marland: That's fine that you don't understand it. I'll place it again. In Mr Atkinson's legal opinion as it pertained to a long-term lease agreement, it says in the minutes of your February 1, 1991 meeting, which is now almost two years ago, "Legal counsel advised the board of the procedural requirements for a long-term lease agreement as follows—"

Mr Duignan: Point of order.

The Chair: You have a point of order?

Mr Duignan: Am I mistaken, Mr Chairman, or are we going to a presentation at this point in time? If not, maybe the time could be divided between the three parties so each party can get a fair share of time in asking questions.

The Chair: Mr Duignan, has there ever been an occasion where I have not divided the time equally?

Mr Duignan: I could go into an argument with that, but I want some clarification of exactly what's happening here now, Mr Chair.

Mr Pat Hayes (Essex-Kent): Don't take it personally.

The Chair: No, but if there has ever been an occasion where the time has not been provided equally, instead of insinuating it, please bring it to my attention.

Mr Duignan: I've raised a point of order. I want to know if there is a presentation being made here by representatives of the WCB or if a point of clarification is being asked on that presentation or if we are going to the three parties at this point.

The Chair: My understanding was that there were some points of clarification that were being asked, and I believe you even had one yourself, Tilson had one and Mrs Marland has a couple of points of clarification. I made note of the time that Mrs Marland started; it was exactly 10:29, just so that the committee members know. I was going to allow the same amount of time for other points of clarification if there were any, fully cognizant of the fact that Mr King had a presentation he wanted to make to us, accompanied with the restriction that he has asked us to place a moratorium for a period of time on these documents because phone calls are being made. I agreed to placing a moratorium on this information until 11 am, which would give the staff ample time to make the two or three or four phone calls. Is there anything else the committee wants the Chair to do?

Mr Duignan: No, as long as the time is divided equally between the three parties and everybody gets a chance to ask questions. These are just points of clarification.

The Chair: I repeat, if there is ever an occasion where the time has not been divided equally to the minute, please let me know. Mrs Marland, could you finish your points of clarification so that the other members could do the same.

Mrs Marland: This is to clarify something that was said yesterday by Mr King. First of all, he said that there were several opinions; today we had received the copy of one opinion. I think it's important that we recognize there is one written opinion here before this committee. If the decision of the WCB to go ahead to build this \$180-million Taj Mahal was based on legal opinions, I'm surprised that in the time since yesterday afternoon the WCB has not been able to extract from its own files copies of these opinions. I'm amazed that they have to make the phone calls this morning to get these opinions in writing, which I would have assumed, to protect their own interests, they would have had.

However, to get back to the fact that we have only one opinion before us, section 64 of the act that I just read into the record would not permit the board to build this building without the approval of the government through cabinet and ultimately through the Lieutenant Governor in Council. The one opinion that you have, Mr King—and you like to refer to the fact that all this happened before you got there—and what I'm saying to you, which is the same thing that we said yesterday, is, are you not concerned about Mr Atkinson's opinion, as stated in the minutes of your meeting of February 1991, where it says: "in his opinion, an order in council is not required for the WCB to invest in Simcoe Place as the investment will proceed through the investment fund in keeping with the provisions of the Pension Benefits Act. He also advised that an order in council is not required for the WCB to enter into a long-term lease agreement with the joint venture proponents of Simcoe Place"?

I'm simply asking you: Have you a legal opinion that separates the investment fund from the board? Do you have a legal opinion that says the investment fund is not an arm of the board and has no part of the Workers' Compensation Board; therefore, the investment fund has this option of not complying with the act under section 64?

Mr King: On a point of clarification: Although I mentioned that a good deal of the work on this facility occurred before I arrived, I made a point to take personal accountability at a time when people told me that I couldn't duck my responsibilities, and I fully accept my responsibilities.

That clarification out of the way, I indicated the report by Mr Collins was to the investment division of the WCB to assure it that its involvement in the facility was perfectly legal under the terms of the Workers' Compensation Act and the Pension Benefits Act, both of which acts it must comply with.

The Chair: Any further points of clarification from yesterday's presentation? We have Mr Fletcher, Mr Duignan and then Mr Cordiano. You have five minutes.

Mr Tilson: Mr Chairman, just so I understand the procedure—

The Chair: The committee members this morning, by their own actions, insisted that they have opportunity to ask points of clarification from yesterday's presentation. That was after Mr King had suggested he wanted to make his own presentation this morning. I've set aside approximately five minutes and 30 seconds for every caucus to make points of clarification from yesterday's presentation. We're going to allow Mr King to make the presentation that he asked to make this morning and then we'll get into the regular rotation again.

Mr Tilson: Thank you, Mr Chairman.

Mr Derek Fletcher (Guelph): You mentioned the numbered company of WCB. How long has that been in operation and how long has it been doing the financial business of the WCB?

Mr King: The numbered company was incorporated in 1988.

Mr Fletcher: And has been doing all the financial investments for the WCB?

Mr King: Yes. The Workers' Compensation Board moved in the late 1980s to broaden its investments beyond the rather conservative bond market that it had been investing in, to move more heavily into the equity market and the real estate market. The investment strategy was enhanced to say that we will aim for up to a 10% holding in real estate as a long-term hedge against inflation. The numbered company was created so that the Workers' Compensation Board's name wouldn't arise and perhaps interfere with negotiations over the purchase of a real estate investment.

Mr Fletcher: How do you go about creating this numbered company? Is that an order in council? Is it cabinet who approves this? How does it work? How does a government agency get a numbered company? Cabinet would have to say yes.

Mr King: No. Perhaps Ted can—

Mr Edmund Smith: Perhaps I can address that. The act permits the fund to invest in real estate in a certain way. The investments in real estate have to be in accordance with the provisions of the Pension Benefits Act. Those amendments to the act came into effect some time in the late 1980s—I can't remember exactly when; I think it's 1987 or 1988—and investments are made through a real estate subsidiary. It's a common method of investing under the Pension Benefits Act for pension funds to make equity investments in real estate in this fashion, so the board, as investor, follows this route.

This numbered company was created as a vehicle to do this, and the board subscribes for shares in the numbered company. That is the investment that in effect is made. The numbered company then holds the interest in the real estate. There are a number of investments it has in other pieces of real estate done in the same fashion.

Mr Fletcher: Just one more point. The investment branch: Is there a crossover on the board of directors between it and WCB, or is it all controlled by the board of directors of WCB?

1040

The Chair: Could you place your question again, Mr Fletcher.

Mr Fletcher: The investment part of it, is it controlled by the same board that runs WCB or is it a separate board that runs the investment?

Mr King: The investments of the Workers' Compensation Board are handled by the investments division of the Workers' Compensation Board, which is another department of the board similar to the rehabilitation or the client services or the planning department. The investment division is managed by a vice-president reporting to me. There are employees who report through to that vice-president, including a director who is responsible for real estate transactions.

The Chair: So the answer is that it's all within the board.

Mr King: It's all within the board. There are independent investment advisers, very senior private citizens who are involved in advising on investments who do give advice to the investment committee of the board of directors on large issues such as, what should the board be doing in terms of strategy? It was those investment advisers, for instance, who advised that the board should expand its holdings in real estate because of the ability of that to be a long-term hedge against inflation. So the board does receive independent advice. At the present time, there are four independent investment advisers who give that investment committee advice.

The Chair: Any further questions, Mr Fletcher?

Mr Fletcher: No, thank you.

The Chair: Mr Duignan?

Mr Duignan: My question has been answered, Mr Chair.

The Chair: Mr Farnan, you have one minute left, if you wish to use it. No? Mr Cordiano.

Mr Joseph Cordiano (Lawrence): The first question I would like to pose is really a query with respect to the dates of any of the documents that have been submitted. I don't see any document referring to the period 1989 or 1990 to indicate that this process was commenced and that any kind of formalized arrangement was made at that point in time to move in this direction on this plan that was brought forward. Are there other documents you are going to make available to relate to that period of time?

Mr King: We had previously distributed to the members of the committee the minutes of the board of directors' meetings, which include discussions which occurred in the 1989-90 time frame surrounding the facility strategy.

Mr Cordiano: Okay, so there were no formalized agreements entered into until the period—the earliest period was—well, we have a legal opinion dated February 18, 1991, from Aird and Berlis, at least by the submission of the documents you've entered here today. So I think it's safe to assume that there were no formalized agreements and that simply discussions took place around the period 1989-90. At what point did any of these matters become formalized with respect to agreements having been contemplated and perhaps being documented?

Mr King: The board administration was directed and we were working towards alternative facilities beginning in 1989, at the direction of the board of directors. It was in March 1991 that the first legal document related to this facility was signed.

That was when the agreement to lease occurred, when the board of directors approved that document.

Mr Cordiano: So in 1989 we have discussions about the possibility of a move being considered and no specific plans around which that move might be made, and we have discussions entertained by the board with respect to a variety of options that might have been made available to the board, and no process was established at that point.

Mr King: The tendering process for various options had been well under way in the 1990 time frame.

Mr Cordiano: What point in time in 1990? We're trying to establish this because—

Ms Angove: September 1990 is when the public tender began.

Mr Cordiano: Okay. Under a new administration?

Mr Duignan: No. The board meeting of July 5, 1990—

Mr Cordiano: Just a minute. I haven't asked you the question, Mr Duignan; I'm asking our witnesses the question. Under whose direction would that tendered process have been undertaken?

Mr King: That would be under the leadership of Dr Robert Elgie, chair of the board, and Dr Alan Wolfson, the vice-chair of the board.

Mr Cordiano: The process was under way and tenders were called for?

Ms Angove: In September 1990 we advertised in the Globe and Mail and the Financial Post, calling for public tenders.

Mr Cordiano: For what?

Ms Angove: For submissions of both existing and design-build facilities that would accommodate the WCB requirements.

Mr Cordiano: I see. So there were no definite plans to have a building built. In fact, you were also entertaining options which included existing facilities.

Ms Angove: Yes. At that time, until we surveyed the market, we could not say that no existing facility could accommodate our requirements.

Mr Cordiano: I see. So at what point in time did you then establish that a design-build option was the one to move forward with?

Ms Angove: In December 1990, when we went to the board of directors.

Mr Cordiano: And at that point, you entered into what, another tendering process for a design-build?

Ms Angove: No. At that point, we had shortlisted from 13 to three or four; actually it was four, and we eliminated one very quickly.

Mr Cordiano: And these were all design-build options?

Ms Angove: They were all design-build because we were assured by both our investigation and through the assistance of Royal LePage Real Estate consulting services that no existing facility could accommodate our requirements, that we had to go to a design-build. So we looked at three options, we negotiated with proponents of the three options, and in

February 1991 we went to the board of directors with our recommended site.

Mr Cordiano: And that's when this legal opinion came forth?

The Chair: Mr Cordiano, your five minutes have expired. Could I make a request for a copy of the ad that appeared in the *Globe and Mail* in September 1990 for the committee? Everyone's had his or her five minutes and 30 seconds. We're going now to allow Mr King to make the presentation that he informed us about earlier this morning, and then we'll get into the regular rotation of the members.

Mr King: I had indicated that Ted Smith from Aird and Berlis was along this morning. Two things specifically: One of them is the legal situation of the board of directors vis-à-vis section 64, previously section 70 of the act, in terms of whether or not the board of directors should have sought the approval of the Lieutenant Governor in Council. Secondly, there was some interest expressed as to the potential exposure of the WCB should the contract be breached at our instigation, and Mr Smith is prepared to speak to both points.

The Chair: Mr Smith, you have the floor.

Mr Smith: Unfortunately, I wasn't here yesterday, so I have a little bit of difficulty in knowing exactly what the nature of your questions is. I'd like to make one comment at the outset, if I could, concerning the transaction documents. We have brought the record books of the transaction. There are collateral documents, as I'm sure you can appreciate, in these books, in some of which parties to the agreements may have some confidentiality issues.

I have been able to talk to counsel for some of the other parties. It's our collective view that these books can be tendered to you today without any concern, but there are some concerns involving third parties: that if contents of these documents were published broadly beyond this committee, there may be some issues that could arise causing breaches of undertakings by third parties, not the WCB.

The counsel for Cadillac Fairview asked, if it's possible, that following this meeting I might speak with the counsel of this committee just to discuss that process. These documents are freely available to everyone.

The Chair: We don't really have a counsel to the committee. We're in investigative mode these days and we're trying to get at some of the questions the members had asked. As I said, we don't really have a counsel. We will try to cooperate with you to the fullest extent, but as the Chair I cannot guarantee that those documents will not find their way into the public domain. As a matter of fact, we're on cable right now.

1050

Mr Smith: I understand that. Perhaps I could speak with you, Mr Chairman, after the session, just to explain the issue.

The Chair: I appreciate that, but I'm not going to take responsibility to make sure those documents remain private.

Mr King: If we can't guarantee confidentiality in certain areas where we as a corporate body have made an agreement, I'm not too sure I'm prepared to agree to the tabling of these four volumes which involve the project and collateral documents. We have a responsibility as a corporation to—

The Chair: Well, if you table those documents, Mr King, and the members of the Legislature want to talk about them, how do you propose they ask questions and talk about them and at the same time keep everything under some veil of secrecy?

Mr King: I don't believe we were asking that the entire group of documents be held back from the public. We were prepared to table them today on the basis that there are a couple of them contained herein which have nothing to do with whether or not this is a value for money or whether or not this is legal. They have to do more with a third party. We would want to review the collateral documents to determine whether all of them are in a position to go public or whether we would be in breach of our duty of care as a corporation to protect both our interests and the interests of third parties, who have entered into agreements with us in good faith that we would hold up our end.

The Chair: Instead of getting bogged down and not making any progress for the rest of the morning on this matter, could we just continue to proceed and we'll think about the points that have been made?

Mr Duignan: I need some clarification of a point too. If the witnesses table these documents here today, they become public documents, and when they become public documents any member of the public can view them?

The Chair: I would think so, yes. Mrs Marland, on the same point of order?

Mrs Marland: Yes, on that point of order. I understand why Mr Smith and Mr King are saying what they're saying after the fact of these documents, but when you're negotiating on behalf of the Workers' Compensation Board or its investment fund, being one and the same, you are not negotiating on behalf of a private sector corporation. The people with whom you are negotiating I'm sure are very sophisticated, and they must also understand that. You're not representing an organization that has the option of being shrouded behind the privacy commission. I just don't understand what's at risk, I guess. If anyone is negotiating with the Workers' Compensation Board, I think they certainly know they're negotiating with the government, and anything the government does in this province after the fact is information that's available to the public, or it should be.

Mr Smith: Perhaps I can clarify this, Mr Chairman. I think perhaps my intention has been misconstrued. These books, which are the most convenient way to provide these to you because they're bound and are easily usable, user-friendly, contain documents that are between third parties and not with us. Without the consent of the third party we have a little bit of concern if I give you the book. If there are 38 documents in there, 37 of them relate to the deal but there's another one that's between two other people that happens to be here as part of our private record. Without those people knowing about it, we just have a little bit of concern if that document would be made public. I'm sure those collateral documents are of less concern to you. It's a minor point, please.

The Chair: Mr Smith, let's carry on, unless there are any further points of order, so that we don't use up the entire

morning, and as I said, we'll think on the points you have asked us to consider.

Mr Smith: Right. I was asked to address two issues for you. The first relates to the legal opinion of our law firm. I've circulated that to everyone this morning. I don't know if everyone has had the opportunity to read it.

The Chair: Could you give us the date?

Mr Smith: The date of this opinion is February 18, 1991, as signed by my partner, Peter Atkinson, who unfortunately could not be present this morning. In that opinion, in summary, we came to the conclusion, which we stand behind, that the provisions of what was then section 70, now section 64, of the act do not require an order in council.

As you can see in the conclusions of the opinion, perhaps if I could direct you to page 3 of the opinion first of all, part of the opinion is based upon the transaction itself. The land is owned by the Canadian Broadcasting Corp. It is leased on a 99-year ground lease to Cadillac Fairview and the Toronto-Dominion Bank. The transaction called for a portion of that leasehold interest being acquired by the investment division of the WCB through its numbered company subsidiary. That is the transaction that is being addressed in this opinion.

It is our conclusion, as you can see, that the three requirements of that section of the act are not met by that transaction and that for the purposes of the section, if any one of those elements is missing, it is not necessary to proceed in that course of action. The analysis in general terms of this transaction is that it's an investment transaction on the one hand and that it's a space-tenant transaction on the other hand. The space lease is for an initial term of 20 years with two 10-year options to renew. The investment transaction is for the balance of the term of the lease, which was originally for a term of 99 years. So there are two separate streams to that. The conclusions are reached on page 4 of the opinion under paragraph 4, and that's in essence our summary of the opinion. You may want to have an opportunity to review that and ask me questions on it.

The Chair: Is that the totality of your submission this morning?

Mr Smith: Yes. I could read the opinion to you, but I thought it would be simpler to—

Mr Cordiano: I could ask questions.

The Chair: Okay. We'll go into regular rotation. Let's start with 10 minutes for each caucus.

Mr Cordiano: I think this entire opinion probably hinges on what is your opinion or definition of "real property," and I take it by your conclusions that your definition of "real property" does not include the building, the actual edifice that will be constructed as a result of this plan, which will be owned 75% by the company which the investment fund of the WCB has invested in. Is that correct?

Mr Smith: That's one of the three elements, yes, but it is not the sole one.

Mr Cordiano: Am I correct to assume then that the building, the actual structure which will be constructed, in your opinion does not constitute real property?

Mr Smith: The building built on the property is part of the leasehold parcel, so it itself is leased, if you like, by the

investment division for the balance of the term of the lease, after which it reverts to the landlord; in other words, the CBC. So the building itself has the same category of interest as the land; that is, a lease.

1100

Mr Cordiano: In other words, the WCB will not own any real property in this entire transaction.

Mr Smith: That is correct.

Mr Cordiano: What it will own is an equity position in a company to be formed by the partners which will then hold rights to leases on this building, or a lease.

Mr Smith: It holds an equity position in a company which itself is a co-tenant with other parties that hold the leasehold interest in the land and the building to be built for a long term.

Mr Cordiano: So when Mr King says there will be an asset that accrues to the WCB for some period of time, in fact beyond our lifetimes, he's not entirely correct.

Mr Smith: I guess I'd have to project that the life of this building will probably be less than the balance of the lease term.

Mr Cordiano: The leasehold being what, 99 years?

Mr Smith: Yes, the balance of that term, to commence in 1988.

Mr Cordiano: So in effect what the WCB ends up owning is paper which entitles it to occupy space, the paper being the lease, and options to renew that lease at intervals.

Mr Smith: As tenant, that is correct. As owner, through its subsidiary, it's in a different category. It has an interest for the balance of the term of the lease. The WCB may choose, 40 years after the commencement of the lease, to vacate the premises as space tenant, but at the same time, as investor, continue to own this building as any other office building in the city of Toronto.

Mr Cordiano: For how long? For the life of the building?

Mr Smith: For the term of the lease.

Mr Cordiano: So it is 99 years.

Mr Smith: Slightly less than 99 years, yes.

Mr Cordiano: That's what causes you to interpret the section we're discussing as relating to a non-real-property interest which is being negotiated here.

Mr Smith: That is one of the three reasons, in our opinion, as we point out, any one of which is enough to take it out of that section.

Mr Cordiano: We would probably, Mr Chairman, want to have a legal opinion of our own. At this point I would request that we do have a legal opinion with respect to that definition of "real property interests." If our own counsel would review that, perhaps that would satisfy all members of the committee. No?

The Chair: As you recall, that was a matter—

Mr Duignan: No.

The Chair: You don't want a legal opinion? That was a matter that was raised yesterday. In order not to use up a lot of the committee time, I asked the members to think about it and we would find out what happened today and we would

come to some type of consensus. If we couldn't come to a consensus, then I was assuming someone would make a motion and it would be resolved in that manner. Mr Cordiano, you can continue.

Mr Cordiano: The other two reasons being in your opinion—I take it it's in the section under "Conclusion," (a), (b) and (c)—"a separate legal entity," that is, that may hold the ground lease. "The company and not by the board itself"—that entitles the board to move ahead without an order in council is another reason. Is that correct?

Mr Smith: Yes. Perhaps to expand on that, as with other investments in real estate, as I mentioned earlier, this numbered company is a vehicle for making investments in real property of various kinds—I'm using that term in the non-legal sense within this opinion—and the board is purchasing shares of that company equivalent to its equity injection. That is what the board is doing. So that's what (a) is addressing, that the manner of investment is done in this fashion, which was permitted by amendments to the act in the late 1980s, and it's appropriate.

Mr Cordiano: But would you not agree with me when I might say with respect to this that this is really more to do with form than with the substance of the matter, that in fact the WCB ends up owning, or its investment fund ends up owning real property in the form of that structure that's being constructed, and that by using this vehicle it allows it to sidestep the provision under section 70, that it allows the WCB to sidestep that entire section so that it does not require an order in council to do what in fact it is doing here, that the difference is really in form and not in substance? In effect, you are talking about an acquisition of a building here, by some form or manner. In the end, when you do away with all the legal niceties, we are talking about a real property interest in the form of that building.

Mr Smith: I guess my answer to your question is that I don't take the position you do. In my view, this is a valid interpretation of the provision, and the provision itself was created for a different purpose which has been superseded by subsequent amendments to the act which permit investments in real estate, and this is an appropriate interpretation of the provision.

Mr Cordiano: Your legal interpretation may be correct, given the section we're dealing with, given the way this has been handled, but I would say to the board and to Mr King that the difference is really, as I said earlier, in the form that you've taken here, the decisions you've taken, and not in the substance.

In effect, you're really dealing with real property. If this is the way you chose to do it, I'd have to ask why. Why wasn't it more appropriate to have an order in council and have the accountability which we're attempting to have before this committee, this Parliament? In effect, an order in council would require you to have that accountability to the administration in office today and this provision allows you to sidestep that requirement. This assembly, as a result, has less information about what's accountable to it in matters which I think are quite substantial before the Workers' Compensation Board.

Mr Smith: The board, in February and March 1991, acted upon the advice of its counsel that it was not required to proceed under section 70, now section 64, for an approval of this facility through an order in council. Why would the board proceed to go and ask for an order in council when the legal advice the board received said, "You don't have to go that way"?

Mr Cordiano: The point I'm trying to make is that when an agency of the government decides to take initiatives which require public expenditures—and in effect that's what we're talking about here—we need some form of accountability. The very reason this committee is attempting to grapple with quasi-public institutions and the expenditure of their funds and to get some value-for-money auditing under way in that entire sector is so the public can have greater accountability, which it does not have today. By circumventing this process, which would bind you to a greater accountability process by virtue of the fact that an order in council would have you do that, you've basically circumvented that entire process.

The Chair: Thank you, Mr Cordiano. Is there an answer?

Mr Smith: A short answer: There is simply no attempt to circumvent legislation. The board of directors, acting upon legal advice that it wasn't required to go to the Lieutenant Governor in Council, did not go to the Lieutenant Governor in Council. As to accountability, we're subject to audit by the Provincial Auditor. We have a group of external auditors, appointed through the Management Board of Cabinet process, who audit us. We submit an annual report to the Legislature. The auditor can comment any year on our operations. We are accountable in normal audit ways.

1110

Mr Tilson: I don't have any questions of Mr Smith on this subject as to whether or not section 64 has been complied with. We have his opinion and I'm sure there'll be other opinions that could be made available to us, if there are other opinions. I'll be interested in legislative counsel providing us with an opinion for this committee. So I don't have any questions, but in the 10 minutes that are being allotted I would like to be able to ask the delegation some other questions.

The Chair: There's been no decision by the committee to get a legal opinion.

Mr Tilson: I understand that.

The Chair: We'll have to address that.

Mr Tilson: If there's not unanimous consent, then I'll be making a motion at a later date.

The Chair: Okay. Mrs Marland, do you want to use up any of that 10 minutes?

Mrs Marland: No. I'd like to use the 10 minutes on another matter.

The Chair: Okay, we'll hold your 10 minutes. Mr Fletcher, do you want to speak on another matter? Mr Duignan?

Mr Duignan: Very briefly, have you seen any other legal opinion in relation to this or is it just your own?

Mr King: I had indicated earlier that we do have another opinion on this matter. I'm trying to have it brought forward this morning for the committee members. I had indicated

yesterday that there may have been a third, but that was some vague recall I had. But another opinion that says basically what the Aird and Berlis opinion says, I'm attempting to get for the committee members.

Mr Smith: I might be able to shed something on that as well. This opinion was not arrived at in a cavalier fashion; it was arrived at after careful thought and research and consultation with other law firms. Subsequently involved in completion of this transaction, as you might imagine, were quite a number of lawyers from different law firms representing different interests—it's a very complex deal—and they all had occasion to at least comment or review and I have had concurrence from every lawyer who's looked at this on this opinion.

Mr Duignan: In your opinion then, it's a legal and binding document on the WCB and the WCB would pay dearly to get out of this contract.

Mr Smith: That's a different issue which I can address now, if you wish to. I was going to speak to that afterwards.

The Chair: It's up to you, Mr Duignan.

Mr Smith: Do you want me to address that issue? If I could just go through the history of it very briefly, with your indulgence. In March 1991 there was what's called a lease letter agreement and a co-tenant's letter agreement signed, which was a simplified contract which had a number of conditions to be met, including approvals of various boards of directors.

In April 1991, that approval was obtained by the WCB from its board of directors. Following that, there were extensive negotiations to comply with conditions. Those conditions were substantially complied with by the fall of 1991. The final documentation, which you see here, was negotiated from the fall of 1991 through to the spring of 1992, and the documents were finally signed in June 1992. Part of the delay was due to some of the other parties involved in the transaction and getting them to complete various undertakings and so on.

From the time the transaction was formally approved in March, in essence, the board was bound to a transaction. If the other parties to the deal had not complied with what they had to do, then the board could be excused from performance, but the board was in more of a passive role. The municipal approvals, the approvals of third parties were the responsibilities of the developer, Cadillac Fairview, to obtain.

In June 1992 these documents were signed. Today we are in a situation where we have these agreements in place. They are final and binding. They all have conditions and terms, and at various points during the life of this deal decisions have to be made relating to the transaction of one type or another, mostly relating to the details of the building and compliance with scheduling and things of that nature.

I have been asked this question by a number of people and, to make it very simple, at this time the WCB, either as investor or as tenant, looking at the two sides of the transaction, has no legal right to resolve from the transaction, in simple terms. Obviously, if there is non-performance of something towards completion, that may result in a different conclusion, but at this point the other parties to the transaction have fully complied. As a consequence, if we were to

terminate this transaction for some reason, it would likely be deemed to be a breach of the transaction. The damages involved will be very significant.

If I could just briefly outline the different ways in which damages would be arrived at: First of all, the WCB would have renounced its obligations as tenant for a 20-year lease. The present value of that lease, subject to a duty of mitigation, would be the measure of damages that the landlord would have. Over the term of the lease, as you can imagine, there's a lot of rent to be paid. In the present marketplace, the ability of the developer to find another large tenant, probably a public sector tenant, will be very difficult. So the chances of mitigation are remote and therefore the exposure to a large damage claim is significant.

The second thing is that under the specific terms of this transaction the CBC has given this ground lease to Cadillac Fairview and the Toronto-Dominion Bank on certain terms. In order to comply with those terms, they have to complete a transaction like the one they have with the WCB. They would be in breach of their lease obligations and could lose their leasehold interest in this 99-year lease, with additional consequent damages. The expenses they've put into this transaction to date will also be damages that they would have a right of recovery for from the party who is in breach.

The third party to this situation is the CBC, and the CBC has engaged in this transaction from the beginning with a view to recovering, for its investment in its building under ground rent, future profits. They might have—it's somewhat remote—a claim against us for having breached this agreement, because they did consent to our transaction and were involved.

I'm sorry that's complicated, but it is the simplest way I can put the answer. It is a very complex set of circumstances that could be set loose if this were to happen. I can be absolutely certain, though, that there will be very significant damages. It could easily—I don't want to speculate on amounts, but they are large amounts of money.

Mr Duignan: Do you have a dollar value on that? The WCB is still proceeding with the building of this building. If so, what's the estimated date that the sod-turning would take place?

Mr Smith: The WCB continues to believe that this is a valid transaction and is economically sustainable. Its advice continues to be to that effect. So the amount of the damages—I really do not like to speculate because then it will become a matter of public record. It will be a very large sum of money. If you want to think in terms of hundreds, you might put that as a possibility. I'm only speculating at the amount.

The Chair: Sorry, I didn't hear the figure.

Mr Smith: I will say this: Your damages could easily be in the range easily of \$100 million.

Mr Duignan: Mr Chair, I can't hear the conversation.

Mr Smith: I prefer to say that the damages are significant without putting a dollar figure on them because I don't know that anyone could put in an estimate on the dollar figure. It would depend upon a number of contingencies. Could another tenant be found in order to mitigate the loss? I'm speculating that it would be a difficult thing to do. When I put

that number on it, I just want to suggest that it's a large amount of money without being held to that figure specifically.

I have no doubt that we're looking at, if the transaction were to be terminated—I'm not certain how that would happen, whether the government is in a position to order this crown agency to reverse something it's done, but assuming that it did that, I have no doubt that the WCB would be in breach of its contract.

1120

Mr Duignan: The second part of my question was when they anticipated the sod-turning date.

The Chair: You have one minute.

Mrs Marland: I think that's 10 minutes, Mr Chairman.

The Chair: I'm being flexible. I'm allowing Mr Duignan to put his final question.

Mr Duignan: It was part of the original question, when they anticipated the sod-turning date.

Mr King: The sod-turning will be within weeks.

The Chair: Mrs MacKinnon, I will allow you to place one question.

Mrs Ellen MacKinnon (Lambton): First of all, I wish to commend the witnesses for the manner in which they've brought forward their presentations. My question may seem a bit trite, but I don't mean it that way. Is there any history or any record in the WCB of anything that compares to what is going on right now? In other words, have you ever had any other time when you had a building you had to justify, or whatever you wish to call it? Is there any precedent, in other words?

Mr King: We have a real property holding at the Downsview rehabilitation site and we're presently investigating options for the usage of that property. Included in our consideration would be the need to have the Lieutenant Governor in Council approve whatever disposition, if disposition was to be the option chosen, because it is considered as real property. It was purchased property for the Workers' Compensation Board's purposes. So we do distinguish that transaction from the present one.

I'm personally unaware of any other transactions similar to this, except for some rumour and innuendo in Hansard, at the time 2 Bloor East was originally leased by the Workers' Compensation Board, about certain payments being made to certain parties, but that was something that would have to be checked in Hansard, rather than my speculating from some old gossip I picked up some years ago.

The Chair: Mr Tilson and Mrs Marland, you can use your 10 minutes now on another matter, if you wish.

Mr Tilson: I'd like to direct my comments with respect to the original tenders and the comments you were making yesterday, specifically the comments that the current landlord, Bramalea, did not make a tender on the venture you're now undertaking.

As a result of those comments, I took the trouble, as did members of my staff, to telephone last night some representatives of Bramalea, specifically Richard Geurts, I think his name is. I'm probably pronouncing his name incorrectly, but he'll have to forgive me for that. He had listened to your comments on television, and he was quite concerned with

some of the comments that specifically you made, that Bramalea did not submit a response to the tender document, because the tender document clearly stated that the Workers' Compensation Board would prefer to own a building, and therefore, because of the position taken by the board, Bramalea wasn't able to submit a tender. Could you comment on that?

Ms Angove: I'll have to check this, but I believe we did receive submissions from other proponents that did not involve ownership options, so they certainly were not prevented from submitting. I can't comment on why Bramalea did not put forth a submission to our tender.

Interjection.

Mr Tilson: Mrs Marland has just asked what the tender documents said and I trust that's one of the documents that you'll be filing to us.

Ms Angove: We'll be happy to give you a copy of it, sure, absolutely.

Mr Tilson: I can assure you, Mr Chairman, that some of the issues that seem to be unfolding, if we have a half an hour left we won't have nearly enough time to pursue some of these issues to satisfy myself that the proper procedure was followed.

Mr Geurts commented that the 2 Bloor Street East building was constructed in 1974 and the building now, he submits, could be retrofitted to accommodate workmen's compensation requirements. He indicated to me that 110,000 square feet can be available on two floors for computers, with three additional elevators. He has informed me that lighting levels can be easily adjusted to Workmen's Compensation Board—I keep using the wrong terminology—Workers' Compensation Board requirements; that mechanical systems can be balanced to provide fresh air, if this is the issue, which you've indicated was of some concern; that elevator speeds can be increased at a landlord cost of \$1.5 million; that a barrier-free access program is under way with the Toronto Transit Commission.

He indicated to my staff that building technologies have not significantly changed in 20 years so as to render 2 Bloor Street East outdated or dangerous to Workmen's Compensation Board employees, which is what you inferred in your submissions yesterday.

The simple question I have is—a two-part question—why had you not reviewed all of these issues with the landlord as to what it could make available and compare the cost that could be made available at 2 Bloor Street East and compare that with this determination by your board to purchase a building, as opposed to continuing on at 2 Bloor Street East, which is clearly far more accessible than the out-of-the-way spot that you have opposite the Dome? This building is good enough for the Royal Bank. It's good enough for the Hudson's Bay Co. Why isn't it good enough for the Workers' Compensation Board?

Mr King: Can I answer part of the question? I'm sure Ms Angove will want to answer other parts of it. We cannot know why Bramalea did not respond to the initial call for tenders for the building. I recall Ms Angove yesterday indicating that they probably didn't want us as a tenant at that

time because the market looked much different. In any event, Bramalea did not respond to a public tender.

Bramalea is rather desperate now to have us continue as a tenant at the 11th hour. They made approaches through me at the time we had signed agreements with other parties for different facilities, saying, "We would like to begin discussions with you to see if we can't meet your needs." That was at the 11th hour, after they'd initially not responded to the public tendering process. Certainly they would like to keep us a tenant right now, given what the marketplace is like.

I think I'd ask Ms Angove to respond to some of the more technical questions, such as elevators, but we explored this question very, very carefully.

Mr Tilson: Just to respond to that, the current landlord has informed me at least that he was told by officials for the Workers' Compensation Board that 2 Bloor Street East did not meet its space and computer requirements, that tender guidelines, they informed me, state that WCB has a strong preference to own its facility outright. So that's why they didn't do it, because of what your tender documents state.

Ms Angove: If I can comment on the technical aspects of your question, I don't know whether they can add elevators to the 2 Bloor Street East office or not. I'm told by architects that is very difficult and very costly to do. What it does do, though, is if you can add elevators, two problems for WCB: Number one, it cuts into our usable floor space per floor. As you will recall, one of our big problems is that the size of the floorplate at 2 Bloor is too small. We simply cannot operate effectively when we can't put the people who need to work together on the same floor. You cut through that floorplate, you cut into the core and add elevators, and you're cutting through usable space again, which means we've got to bump more people up on to additional floors.

1130

The other major, major problem for us is disruption to service. You cannot add elevators while people are working in the building, which means we would have to relocate our staff temporarily while they did do that retrofit. I don't know if the retrofit includes access floor that we require to address our cable problems, and it sounds like they're just dealing with two floors, as opposed to 35, which is the number of floors in the tower. So it just deals with a very small piece of the problem on the one side and it causes us great difficulty on the other, because it does nothing to address the size of the floorplate. In fact it makes the floorplate smaller in terms of usable square feet.

It does nothing to address our problems and our needs. We are not the Royal Bank, we are not the Hudson's Bay Co and we do not operate the way the Royal Bank and the Hudson's Bay Co do. We have very different requirements from them and we have very different technical operations.

Mr Tilson: Bramalea informed me that this building can accommodate 570,000 square feet and that it can provide large floor areas of up to 57,000 square feet, which would satisfy the expansion of the Workers' Compensation Board and certainly provide large enough floor areas for computer areas.

Secondly, they told me that they submitted a renewal proposal to the board prior to the June contract that was signed

by the board. It was submitted on May 25, 1992. I have a copy of excerpts of that proposal, which seem to cover all of the concerns that you have, adequately answers all of your concerns. That proposal was flatly rejected.

Mr King: Can I?

Ms Angove: Certainly.

Mr King: I'm not too sure whether we've got an advocate for Bramalea here present and asking the questions.

Mrs Marland: I take exception to that.

Mr King: I'm certain that Bramalea has an ability at the 11th hour to come up with options vis-à-vis the proposal that occurred before June. I had indicated yesterday that once we had entered into the agreement in March or April 1991 to seriously negotiate with Cadillac, Toronto-Dominion, Bramalea and the CBC the Simcoe Place site, we had a clause in there that said we would not look at other properties until we had seen where that negotiation ended up. Therefore, Bramalea was told, "Until we've determined whether this is an adequate deal, we can't listen to your proposals."

Mr Tilson: I'm not doing work for Bramalea. I'm simply saying that this is a boondoggle out of control, that you've become unaccountable. You're flashing and teasing us with a whole bunch of documents that you're saying you're not going to produce. You didn't put forward adequate—

Interjections.

Mr Tilson: How dare you say I'm an advocate of Bramalea.

The Chair: Thank you. I appreciate everybody's opinions.

Mr Fletcher: On a point of order, Mr Chair: I don't think it's right that anyone badger witnesses or anyone else before this committee, and I think the Chair should make sure that people are at least treated with some dignity.

Mrs Marland: May I speak to that point of order, Mr Chair?

The Chair: I don't think it was a point of order. The committee has no time to waste. I allowed Mrs MacKinnon to place one question after Mr Duignan had used the full 10-minute allotment, and I'm going to allow Mrs Marland to place a question, as the 10-minute allotment has been used in the first round. You have time for one question.

Mrs Marland: I think, Mr King, for you to suggest that my colleague Mr Tilson is here as an advocate for Bramalea is stooping pretty low. I would like to suggest that if the present chair and members of the Workers' Compensation Board were advocates for the public taxpayers in this province, they would not be agreeing to build a building of 755,000 square feet at a time when there is in excess of 20 million square feet of available space in the greater Toronto area today. I would ask that you withdraw your comment.

When Mr Fletcher says that we are being insulting to deputations before this committee, I have never heard the kinds of comments from deputations in front of a committee that I have heard from Mr King.

Mr Mike Farnan (Cambridge): My goodness, you've been badgering this delegation for the last two days, for God's sake.

The Chair: Order, please.

Mr Farnan: For two days you've badgered the delegation. You're going to give this high moral standard of yours that we're so familiar with and it's really a pain.

The Chair: Thank you.

Mr Farnan: If you've got a question to ask, why don't you ask the question?

The Chair: Order, please.

Mrs Marland: I find it really interesting that the government members choose to defend the expenditure of \$180 million for a building for the Workers' Compensation Board—

The Chair: Is there a question?

Mr Farnan: The reality of the matter is that all you're doing is making a statement. You're not asking any questions.

Mrs Marland: Mr Chair, I think I have—

Mr Farnan: It's about time you asked some questions rather than just some opinion and badgering. How much of this badgering can we take?

The Chair: Mr Farnan, please, I need your cooperation.

Mr Farnan: You have it, Mr Chair.

The Chair: Thank you.

Mr Farnan: Please, let's have the cooperation of the opposition members and have a constructive debate and not this kind of ongoing badgering and innuendo and accusation without substance.

The Chair: All the interjections are out of order. Could you please place your question, Mrs Marland.

Mrs Marland: There actually is not a requirement in the rules of committee to ask questions. There is a procedural matter here that I'm trying to address. If we're talking about accusations and innuendoes, I think the accusation to the member for Dufferin-Peel, my colleague Mr Tilson, that he might be here representing or advocating on behalf of Bramalea is totally uncalled for by the vice-chairman of the Workers' Compensation Board.

The Chair: Thank you.

Mrs Marland: Mr Chairman, it's obvious that—

The Chair: Time has expired.

Mrs Marland: Can't I ask any more questions without—

The Chair: Time has expired for this first round. What I'm going to do—

Mr King: Mr Chair, might I withdraw any insult committed in error of omission or commission?

The Chair: That's up to you, Mr King.

Mr King: I hereby do so.

The Chair: Thank you. Okay, let's try five minutes and see where we end up. Mr Cordiano, five minutes.

Mr Cordiano: Can I reserve the five minutes, unless my colleague wants to ask a couple of questions? Are you ready for a couple of questions?

Mr Steven Offer (Mississauga North): I have a short question, if I may, Mr Chair, with the indulgence of my colleague. Good to see you again. As you know, we brought this matter up to the Legislature earlier on. I don't know if this matter has been asked earlier, but I would like to know, deal-

ing with the construction of the WCB headquarters, was there a limitation placed by whomever on the number of general contractors in this province who were able to actually bid on this project?

Ms Angove: Yes, there was a pre-selected list of contractors developed by the developer who's responsible for handling that whole aspect of the project. It was established with the parameters that they wanted to make sure only companies that had the experience to build a similar project and could meet the requirements to build a similar project would submit; that these companies were viable, that they would last the three years and would not go under partway through the project; and, number three, that they had no problems in the past in terms of delivering over budget or behind schedule. We're very concerned about meeting schedule and budget requirements here. Those were the parameters upon which that pre-selected list was developed.

Mr Offer: The problem I have on that particular response—but I thank you for it—is that it is my understanding, after following this matter for a number of months, that some very long-established, reputable general contractors who had a great deal of experience in projects of this nature were excluded from building, thereby, without any question, eroding the competitive nature of the tender itself.

I'm wondering if you might be able to share with this committee the three selected general contractors who were permitted to bid. All members of the committee will then be able, through their experience, to know of the many reputable general contractors who were excluded from even participating in this process.

Whether one agrees with the building of the headquarters is one issue. The other issue is that there was an exclusion of many very large, reputable general contractors in this province even from making a competitive bid. I would like you to share with this committee what general contractors only were allowed to bid.

1140

Ms Angove: There is an extensive list, but you're talking about the general contractors. The three that were on the list were Jackson Lewis, PCL and Eastern.

Mr Offer: And everyone else was excluded?

Ms Angove: My understanding from Cadillac Fairview is that its experience in dealing with some other contractors has been quite difficult and that it has had recent projects that have come in over budget and quite behind schedule. They're not prepared to take that risk on this project.

Mr Offer: The concern which I have had, even as we raised it in the Legislature, is twofold: first, the need for the building itself; second, in the area of the construction of the building, whether there was going to be a full competitive bid allowed. Just by way of comment, the fact that only three general contractors in this province—and indeed outside, but certainly within this province—were allowed to bid when we all know of many other general contractors who have been excluded is one which is worrisome to those who fund the WCB.

I would like to ask a further question, and that is in the area of the subtrades. I have also been led to believe that not every subtrade was able and is going to be able to bid on the

work, that there is a preferred list of trades which will be able to bid and that all others will be excluded. Could you please confirm or deny whether that is in fact the case?

Ms Angove: I think I need to clarify to you that the responsibility for the pre-selection and the whole tendering of the general contractor and subcontractor is the responsibility of the developer under the agreement we have signed. WCB is not interfering in that process. We understand from the developer why it has chosen to go this route and we appreciate its concern about risk associated with going over budget and over schedule to meet our project requirements. We share that risk and we share their concerns.

Mr Cordiano: How do you share that risk, might I ask? Mr Chair, there's one minute left; last question.

The Chair: If you can get a very quick answer.

Mr Cordiano: This is very important. If you're sharing in the liabilities associated with that contract to go over budget and you're not given any consideration for making the decision with respect to which contractor is chosen and what subtrades are chosen, then I think you've relinquished all authority and all accountability for tendering that project.

The Chair: Quick answer.

Mr Smith: The quick answer is that rents are based upon cost plus a debt service factor, which is a very low spread from the point of view of the tenants, so the costs are a factor of the rent. We have to keep the costs under control, but there is no cap.

Interjection.

The Chair: No, I'm sorry, we don't have time. Order. Mr Tilson.

Mr Tilson: I have two questions to ask of the delegation, and that has to do with the whole subject of consultation over what appears to be a two-year process, specifically with employers and workers. There appears to be zero consultation with employers and workers, at least from the information you've given us to date.

It's my understanding from individuals I have spoken to—namely, people such as the Canadian Federation of Independent Business and other groups such as that—that the board of directors made the decisions you have referred to to purchase the new building and that that decision was based on a grey paper matter or confidential matter. That's what the decision was based on.

My first question is, is that statement that has been made to me accurate, and if so, what was the rationale for that decision? Major employer groups, who are going to be paying for this—business is going to be paying for this; no matter what financial statements you make, they're the ones that are going to be paying for it—were not consulted. In fact, these groups were not aware of this issue until November 1992 when the subject came forward in the press.

The second question I have is, why was the decision to invest in a new building not discussed with the employer community so that it could have input on that decision?

Mr King: First of all, it isn't myself as the vice-chair of administration who decides what the board of directors will go out and consult about and what they will not go out and consult about.

Mr Tilson: That wasn't my question. I don't care—

Mr King: The first question was the fact that the material presented to the board was on grey, and why didn't the board go out and consult? You've obviously been talking to someone who understands that regarding material that's sent to the board of directors on grey, the recommendation is that it be kept confidential.

Mr Tilson: Yes.

Mr King: The board of directors decides what is kept confidential and what is not kept confidential. They acted in the best faith, that in order to negotiate something like this you have to be able to negotiate free from the pressures of lobby groups, such as Bramalea, who might want to put their oar in the water.

Secondly, to say that employers and workers weren't consulted—our board of directors is made up of eight members in addition to the chairman and myself. Four of those members are appointed from industry. Those four members appointed from industry have the backing of industry groups before they are appointed to the board of directors. Four of those members are representative of either injured workers or organized labour through the Canadian Federation of Labour or the Canadian Labour Congress. They certainly have the ability to go out and consult if they so desire. They determined that they could not go out and consult if they were to put this deal together.

Mr Tilson: Sir, no one's building in the glut of vacancy that's available. Some 20% is available and you're the only ones who are building. I would think that the employer groups who are paying for this have every right to provide input on this. You didn't seek it. Not you personally, but the board didn't seek it. They just plowed ahead. Very strange.

These questions have been put to you. It only became available in November. All of these matters are simply quite serious. They're shocked that with all of this glut of tenancy that's available—and to keep taking shots at Bramalea is totally unfounded. That company has put forward a proposal which would save the business community and the people of this province millions of dollars. You know that, but you've never given them an opportunity to put forward their views. You simply dismissed it outright and said, "We're going to buy and that's the only alternative we're looking for." That's in your tender, and you know that. You didn't look at any other alternatives.

Would you comment on those statements?

Mr King: I have already responded to that concern. We went out to public tender. Other organizations came forward and put forward proposals which did not involve the WCB as an owner. Therefore, there was no limitation on Bramalea from coming forward. They delayed, until after the Workers' Compensation Board had signed contractually binding agreements to head in another direction, with its proposal that we stay at 2 Bloor East. At that time they were out of time.

Mr Tilson: But your tender documents, sir, say that the Workers' Compensation Board has a strong preference to own its facility outright. That decision was made a long time ago and that's part of your tender, so that's why they didn't respond.

The Chair: Short question and a short answer.

Mr King: I've answered this twice already that others did not feel limited by that preference.

The Chair: Thank you. The five minutes have expired. Mr Fletcher.

1150

Mr Fletcher: Workers' Comp used to be called Workmen's Comp; that was set up by the Conservatives. Through the years it became Workers' Comp. Then in 1988, it set up a numbered company which was allowed to do investments. I guess it was in 1990 that things were finalized for a deal to build a new building. The rationale behind this is improved service, lower costs; right now we're in such a good building climate as far as interest rates and construction competitiveness are concerned.

It was a business decision made by Workers' Comp. You put out tenders and in fact went to the trouble of finding out whether it had to go to cabinet and got your legal opinion, which is fine. You could have gotten that from any legal counsel anywhere. You're audited by the Provincial Auditor every year for accountability.

I'm trying to grasp why there are members sitting here who think that you're doing something under the carpet, under the rug, behind closed doors, when so far you've been quite open with us. I'm having a problem with that. The board of directors is made up of employees and employers, different business groups are involved, so as far as consultation is concerned, you already have that built into the system. I'm still trying to get where the nefarious part of this operation is. I can't grasp where they're coming from. Is there something underhanded here? Have you done something wrong? Is there something you should be in back alleys discussing? I don't know.

Mr King: I understand the purpose of the public accounts committee, and perhaps I have a bit personalized. One of the things I tried to indicate yesterday is that we have significant problems in trying to recover the Workers' Compensation Board to the point where it becomes an asset to the people of Ontario, where it begins to provide the sort of service the people of Ontario should be able to expect of the Workers' Compensation Board, that the employers of Ontario and the workers of Ontario and the MPPs of Ontario have a right to expect from its Workers' Compensation Board.

I think, given any other economic climate, the decision that was made by our board of directors on the facility strategy would be applauded as being a wonderful business deal. Unfortunately, given the downturn in the economy, it is receiving a lot of attention.

The reason I have perhaps personalized somewhat is because I know of the other problems in trying to get the Workers' Compensation Board turned around from its present or past position of not being able to provide the proper service. I guess I see this as being counterproductive to my efforts in getting that service delivery agenda carried out. I apologize to members if I have been personal.

The Chair: Mr Farnan, you have time for one question.

Mr Farnan: I just want to make a comment. First of all, I want to say how grateful I am to you for the presentation. I think you've been frank and fair. I believe you've been non-partisan. I think you've spoken very fairly about previous

administrations and the current administration. You've been, in the best sense of the word, a professional civil servant. I commend you for the fact that where you felt you may have reacted to a member of the committee, you were prepared to apologize and withdraw. I think that takes a lot of courage.

I regret the fact that members of the committee made accusations without basis and haven't shown the same courtesy in terms of bringing dignity to the process in withdrawing those kinds of remarks.

I recognize the fact that you have partners outside the WCB. It should be very clear that there are limitations on a delegation. When you're talking about whether it's the developer or the bank or other partners in the transaction, there has to be some limitation in terms of the kinds of information that would be provided, but I believe the delegation has indicated a willingness to provide all the information within its power without going against any practice that would jeopardize its partners.

The Chair: Mr Hayes, you have time for one very short question and one short answer.

Mr Hayes: All right. Thank you, Mr Chair.

Interjection.

Mr Hayes: It's not your turn, Margaret.

There were remarks made here about Bramalea not being aware of this transaction and not being given an opportunity to submit. I find it rather interesting when the statement is made from over there. Correct me if I'm wrong, but I think the member, Mr Tilson, said that Bramalea wasn't aware of this until November 1992. In fact, when did you people notify Bramalea that your intention was to move out?

Mr Tilson: I said there were no employer groups that were—

The Chair: Order, please. The question is—

Mr Hayes: I said, "Correct me if I'm wrong."

Mr Tilson: They made this whole process secret. That's what they did.

The Chair: Order, please.

Mr Hayes: Mr Chair—

The Chair: The question is, when did Bramalea know? Can we have an answer?

Mr Hayes: Mr Chair, first of all, I've sat here and listened to that stupid rambling over there and he can give us the same decency to listen to us.

Mrs Marland: He just answered your question.

Mr Tilson: I answered your question.

Mr Hayes: I didn't ask him—

The Chair: Order.

Mr Tilson: You asked me a question and I answered it.

Mr Hayes: You directed another thing about things being under the table, and I think that's totally unfair.

The Chair: We'll just wait.

Mr King: Bramalea has been involved in this all along because it has certain interests in the Front Street property as a developer, so Bramalea has known, as a corporation, all the negotiations that have been going on at all times. They had to consent to the Simcoe Place project.

The Chair: Mr King, I have a couple of questions before we adjourn today. You'll remember that yesterday I raised a matter of section 64 and the obligations of the board under section 64. The feelings I had yesterday, notwithstanding the legal opinion, the one legal opinion, that was tabled today, still remain. I believe there was a certain intent in section 64 and I'm not sure, I haven't concluded yet, whether or not the intent of section 64 has been met, notwithstanding the one legal opinion we've seen today.

Mr Fletcher raised a question earlier this morning that I thought was appropriate. He had assumed in his comments to you that before a crown agency like the Workers' Compensation Board established a numbered company to acquire property or to investigate a partnership in property, that matter might be discussed at the ministerial level. You informed him that no, that was not the case.

Are you familiar with the Management Board directives which obligate—I will quote right from the Management Board directive, under the heading "Management Board Approval." The direct quote is:

"Prior Management Board and cabinet approval is required to establish or incorporate all new agencies, including subsidiaries of existing agencies and the acquisition of a controlling interest in an organization."

Clearly, the intent of this directive is for crown agencies to go to the Management Board, which is led by a team of duly elected and duly appointed cabinet ministers, before numbered companies and spinoff subsidiaries are in fact approved. Are you aware of that directive and are you in any way responsible to meet that directive?

Mr King: Do you have a date on that?

The Chair: The date is May 1986, I'm informed.

Mr King: I simply couldn't answer the specifics. I would have to check the corporate record to determine whether or not the then board and administration back in 1988 indeed knew of and complied with the Management Board directive. To the best of my knowledge they didn't, but I don't want to lay blame where blame may not rest. I would have to defer a specific response until I check the corporate records on that specific question.

The Chair: Unless that Management Board directive has been changed between May 1986 until the date you signed the agreement or contract, then I read the Management Board directive in a similar fashion as Mr Fletcher pointed out this morning, that ministerial approval had to be received. Could we leave it that we're going to look into this a little further?

Mr King: I will have to look into the matter of whether the board in 1988 did approach either the minister or the Management Board in terms of that particular directive of Management Board in creation of the numbered company.

1200

The Chair: Unfortunately, time has expired. It's 12 noon. I know there are a number of points of order. Let's start with Mr Cordiano and we'll go all the way around.

Mr Cordiano: In light of the recent arguments you've put forward and the uncertainty of the answers, it raises an enormous number of questions. I would like to put forward to the committee that ministerial accountability and Manage-

ment Board directives should be a central focus of what we proceed with in terms of questioning along the lines of this subject matter, and as a result I would put a motion forward that we call on the Minister of Labour to come before this committee to respond to some of those questions.

Interjection: Which one? The previous one?

Mr Cordiano: We're talking about a Management Board directive which, by and large, was ignored when the agreement was signed, when initiatives were taken which formalized a process, and we're talking about the current minister under whose administration this process was formalized. That's what we're dealing with here, so I would make that motion.

The Chair: It's been moved by Mr Cordiano that the committee invite the Minister of Labour to appear before the public accounts committee to answer questions posed by members in regard to the Workers' Compensation Board decision to build the \$180-million building in downtown Toronto, as it pertains to the Management Board approval I earlier quoted. Any discussion on Mr Cordiano's motion?

Mrs Marland: Recorded vote.

The Chair: The vote will be recorded. Any discussion on Mr Cordiano's motion? Mr Tilson, then Mr Farnan and then Mr Duignan.

Mr Tilson: I would indicate my support for the proposed resolution to the committee, and I say that for a number of reasons. First of all, it would appear that the Treasurer has been making statements in the House and outside the House that this is a done deal, that there's nothing that can be done, that there's nothing he or his government can do to deal with this matter. I think that as a representative of the government, the Minister of Labour is the most appropriate person to come and discuss that with this committee.

Secondly, Mr King has indicated that regular monthly meetings are held with the minister or the minister's staff. Mr King can correct me, but I believe he said that this subject has never been discussed with the minister, certainly since this minister was appointed to the cabinet.

Mr King: No, I'm sorry. I don't want to interject, but I don't believe I said that. I said I didn't recall whether I was the one at the briefing session; just a clarification.

Mr Tilson: I accept that. It would be useful to know exactly how much input the minister has had in assisting the Workers' Compensation Board in arriving at the various decisions that it's been arriving at over the last several years, particularly since I gather there's an indication of several contracts. I think there are a considerable number of unanswered questions as a result of comments that have been made by the Treasurer and as a result of the very unusual silence of the minister. I think the motion is quite appropriate and I would support it.

Mr Farnan: Mr Chair, I am seeking, first of all, your advice. I would like your advice as to the manner in which this session can be concluded. I believe there is no useful purpose in continuing along the process that appears to be put forward by the opposition members of the committee. We've very clearly seen that there is a rationale that has been presented to the committee. I think we can see that there is a

long-range plan in which rents are going to be able to be equated at competitive values and that there are many advantages to the agency. The people in Cambridge I spoke to last night are absolutely in horror that by walking away from a deal such as this, there could be enormous, huge costs to the taxpayer. They're saying to me: "Get real, guys. Are you guys going to sink us for extraordinary dollars in terms of costs in breaking a deal?"

Mr Cordiano: No one had suggested that.

Mr Farnan: So, Mr Chair, I'm seeking your advice, and I would be prepared to put a motion that these proceedings be concluded at this time.

The Chair: We cannot do that at the present time. We already have one motion on the floor.

Mr Farnan: I would have this motion moved following the motion of Mr Cordiano.

The Chair: Okay, that's fine. You've given us notice of your intention, and that's appropriate.

Mr Duignan: My colleague Mr Farnan has said a lot of what I wanted to say. I'll simply add that if the members of the opposition wish to ask the minister questions, then I suggest they use question period to ask those questions.

Following along with that of Mr Farnan, the WCB has had a number of legal opinions in relation to this particular deal. They have had two or possibly three legal opinions in regard to this, plus the Treasurer has had a legal opinion on this. Why waste any more of the taxpayers' money furthering this investigation when there is no need for an investigation?

Mr Offer: I'm very much in support of the motion as moved. I think there are significantly important questions that are still out there that have not yet been answered to the fullness that this committee and its mandate demand. But I would also suggest that we not overlook that person in cabinet who really does hold the purse strings, and that is the Chair of Management Board. There is a great deal of work that is dealt with in terms not only of the Minister of Labour and the Treasurer, but also of Management Board, of the person who is really best able to deal with the directives, to deal with the matters which have become before him. I would suggest, as a friendly amendment to the motion, that we also include the Chair of Management Board to respond to the very relevant, real, substantive questions that have been put before this committee and this delegation on this particular issue.

The Chair: If that's an amendment to Mr Cordiano's motion, then we'll vote on the amendment first. The amendment to the motion is that in addition to the Minister of Labour, Mr Offer moves that we have the Chair of Management Board appear before the committee for the same purposes that I described earlier. When we get down to the vote, we'll vote on the amendment first and then we'll vote on the original motion.

Mrs Marland: I support the motion that's on the floor. I know that as soon as I say what I'm going to say, all six government members will do what they normally do, which is try to drown me out because I'm making a point with which they do not agree. But isn't it interesting that they feel they have to jump to the defence of the Minister of Labour?

The Minister of Labour is more capable than any one of them to—

Mr Fletcher: Mr Chairman, on a point of order.

The Chair: A point of order.

Mr Fletcher: Shouldn't the member be speaking on the amendment?

The Chair: Please continue.

Mrs Marland: Mr Chairman, obviously I am speaking on the amendment. I remind the member that the amendment is to invite the minister to come before this committee.

Mr Fletcher: Point of order, Mr Chair.

The Chair: There's nothing out of order, but let's try.

Mr Fletcher: That's not the amendment, is it?

The Chair: Mrs Marland, you have the floor.

Mrs Marland: It's unfortunate that the member is interrupting when he chooses not to listen. The point is that the motion which is on the floor is to invite the minister before this committee. The Minister of Labour is perfectly capable of defending himself and coming before this committee. I think that when the whole question pivots around a legal opinion about whether or not the Workers' Compensation Board has a legal right to contravene section 64 of the Workers' Compensation Act, then we have to do what is obvious, which is get an opinion other than the opinions that have been sought to this point by the Workers' Compensation Board.

1210

As of today, Mr Chairman, this committee has one opinion before it, that of Aird and Berlis. That is fair ball, but it's still only one opinion. If the government members of this committee do not choose to protect the interests of the taxpayers of this province by saying: "We don't want to hear anything more. Let's shut it out. We've had enough legal opinions"—this committee has one legal opinion before it today. Mr Duignan referred to a legal opinion the Treasurer has received—

Mr Farnan: We're not going to let you waste any more money—

The Chair: We're talking about Mr Cordiano's motion to the minister.

Mrs Marland: We have no copy of that legal opinion either. Therefore, it's important to have the minister before this committee to answer some of these questions as to the actions of this government spending \$180 million through a government's arm's-length agency, the Workers' Compensation Board.

The Chair: Okay. Mr Tilson on the motion.

Mr Tilson: As a member of the committee, I would promote the amendment that has been put forward by Mr Offer, in other words, that the Chair of Management Board be added to the request, that the Minister of Labour and the Chair of Management Board also—

The Chair: That would be the amendment to the original motion? We would vote on the amendment first.

Mr Farnan: Call the question, Mr Chair.

The Chair: Well, you'd better speak to Mr Farnan for him to withdraw his motion.

Interjections.

Mr Farnan: Call the question.

Interjections.

The Chair: Order. The clerk advises me that when the question is called it's at the discretion of the Chair whether or not a full debate has taken place. I don't think it has. I'd like Mr Duignan to make the point he originally wanted to make and we'll allow a couple more minutes of debate from other members and then we'll call the question.

Mr Duignan: Simply, I wanted to call the question, Mr Speaker; still do.

The Chair: Mr Cordiano and then Mr Tilson, very briefly both of you.

Mr Cordiano: I don't believe for an instant that we have surveyed this matter in its fullness. I think there are many unanswered questions, and for a committee which calls itself the public accounts committee of the province of Ontario to have this issue unresolved with respect to the number of questions that have been put and unanswered—I don't think we can continue to operate in the way we have.

This committee has always operated on a non-partisan basis. It has attempted and endeavoured to investigate questions which would have us do value-for-money audits conducted by the auditor. We operate in that fashion because we are attempting in many ways to seek out new ground.

We have amendments that we're proposing to the Audit Act. I know I'm getting a little off topic, Mr Chairman, but referring to this question, it's entirely appropriate because what we're discussing here is value for money and I don't think those questions have been answered fully. We don't believe, on this side at least, that value-for-money questions have been answered satisfactorily and that's why we're pursuing this.

The Chair: Thank you. Mr Tilson, briefly.

Mr Tilson: I think that is the issue really before this committee: It's looking back at Mr Cordiano's original motion and whether there is sufficient information to assist the Provincial Auditor in proceeding on that question. The fact of the matter is, the Treasurer has had a legal opinion. We don't know what that legal opinion is. The Minister of Labour may have had some input on this whole subject from day one.

I know there are two representatives from the Ministry of Labour sitting in the back of this committee room, so obviously the minister is taking a keen interest in these proceedings. The Minister of Labour and his staff have been involved in this process. I think it's fair that we hear from all sides of the subject. On the issues that you've raised with respect to Management Board, Mr Chair, I think it's fair that the Chair of Management Board come forward and put his comments forward as to whether its directives have been responded to.

It's fine for Mr Smith to come forward and say that there are all kinds of litigation that may or may not result from this. That's his opinion, and I can respect him for that. The fact of the matter is, if there is law that exists in this province, that law may frustrate this contract, and Mr Smith knows that, and this contract may come to an end. It's called the doctrine of

frustration, and if section 64 or any other pieces of legislation exist that preclude the Workers' Compensation Board from entering into this contract or these series of contracts, that's the end of it.

The Chair: I'm sorry, I'm going to have to cut you off. At this point, I want to inform the committee that Mr Offer's motion is out of order as he is not a duly substituted member of the committee.

Mr Tilson: Mr Chairman, with respect, I did correct that. As a sitting member of the committee, I made that amendment.

The Chair: Well, we'll have to change how it reads in our minute book.

We're going to vote on the amendment first. Mrs Marland has asked for a roll-call vote.

Mr Tilson has moved that the original motion be amended to include the appearance of the Chairman of the Management Board before the public accounts committee. All in favour?

Ayes

Cordiano, Marland, Tilson.

The Chair: Opposed?

Nays

Duignan, Farnan, Fletcher, Haeck, Hayes, MacKinnon.

The Chair: The motion is defeated.

Mrs Marland: Mr Chairman? You're still on the amendment, aren't you? Sorry.

The Chair: That was the amendment. The amendment to the motion has been defeated.

The original motion, as moved by Mr Cordiano, is that the committee invite the Minister of Labour to appear before the public accounts committee to answer questions related to the proposed office complex to be built at the Simcoe Street area by the Workers' Compensation Board.

All in favour of Mr Cordiano's motion?

Interjection.

The Chair: Yes, recorded vote.

Ayes

Cordiano, Marland, Tilson.

The Chair: Opposed?

Nays

Duignan, Farnan, Fletcher, Haeck, Hayes, MacKinnon.

The Chair: The motion is defeated. Mrs Marland and then Mr Farnan.

Mrs Marland: Mr Chairman, at the time that Mr Cordiano moved his motion, I had indicated to the Chair that I wished to speak, which was ahead of Mr Farnan's indication.

I wish to place a motion before this committee that the committee request from legislative research an opinion on the interpretation of section 64 of the Workers' Compensation Act as it deals with the question of whether or not the Workers' Compensation Board and its members—

Interjection.

Mrs Marland: It was a decision of the board, so therefore the Workers' Compensation Board members are legally in a position to proceed with the acquisition of property and

all the points that you made yesterday, Mr Chairman, which would in fact contravene the wording of section 64 of the act. I would like to speak to the motion.

The Chair: Let's see if we can get that motion down to manageable size.

Mrs Marland: Okay.

The Chair: Mrs Marland has moved that the public accounts committee ask legislative library research services to provide the committee with a legal opinion on section 64 as it applies to the initiative of the Workers' Compensation Board. I think that covers it.

Mr Farnan: Mr Chair, I—

Mr Duignan: Point of clarification, Mr Chair.

The Chair: Point of clarification, then Mr Farnan.

Mr Duignan: I was just wondering, do motions have to be in writing?

Mr Tilson: Oh, come on.

1220

Mrs Marland: I'm happy to put it in writing. You didn't ask Mr Cordiano for his in writing. I can write, Mr Duignan. I'm more than happy to write it.

Mr Duignan: In other words, the motion's out of order, Mr Chair?

The Chair: I will tell the committee this. Yes, the motions have to be in writing. Yes, it's been the practice of this Chair to accept verbal motions from all members. If we want to end that practice, that will be a decision made by the members, not by the Chair. If that's what you want to do, you'll have to insist that it happens, because I'm not going to, but we're going to carry on with that procedure once you do. It's up to the members how you want to run the committee.

Mr Farnan: Mr Chair, I appreciate the fact that—

Mrs Marland: Mr Chair, when do I speak to my motion?

The Chair: We are now deliberating on the fact that your motion may be out of order, depending on what the members of the committee decide, Mrs Marland.

Mr Farnan: I certainly would support the opportunity for Mrs Marland to place a motion and to allow her the time to write it down if necessary but I would indeed agree to accept it orally. Mr Chair, you have conducted these hearings extremely well. I would ask you that, given the fact that this motion has been debated at length during the six hours, we proceed immediately to the vote, and I call the question.

The Chair: Yes, I intend to have a very limited debate on this motion, probably a minute for Mrs Marland and that's about it. I was going to come to that but I appreciate your advice.

Mr Fletcher, on Mr Duignan's point.

Mr Fletcher: Yes, on Mr Duignan's point. I have no problem with this motion being debated right now. At some time, are we going to at least set some ground rules so that we know where we're coming from? I know the rules are already there and we should be following them. Is it going to be—

The Chair: The ground rule I like to work under is that we have flexibility. If the members say, "No, we have to have everything in writing," then you're right. We do.

Mr Fletcher: I think that's something we should discuss at some time.

The Chair: We've never operated that way, but I appreciate the fact that members get frustrated because they want to see the motions in front of them. They want to be able to read what the motions say.

Mr Duignan: If I can be of assistance to the Chair, since I raised the issue, maybe this is a subject that can be dealt with by the subcommittee.

The Chair: All right. We'll have the subcommittee discuss the matter. I like the subcommittee when it appears.

Mr Duignan: It has worked recently.

The Chair: It has worked recently. You're right.

Mrs Marland moves that the public accounts committee request, from the legislative library research services, a legal opinion on section 64 of the Workers' Compensation Act as it applies to the initiative of the Workers' Compensation Board in the construction of its proposed building.

One minute for Mrs Marland.

Mrs Marland: Since section 64 states very clearly that there is a requirement for approval of the Lieutenant Governor in Council for the board to "purchase or otherwise acquire" real property etc and we know that the Lieutenant Governor in Council is in fact the person who enacts the requirements of and direction from the cabinet of the government of the day, I think it's very clear that the whole question of whether or not the Workers' Compensation Board is in a position to be relieved of its contract which it signed in June this year pivots around the interpretation of this section 64.

Since we are talking about the unnecessary expenditure of \$180 million of the taxpayers' money in this province, I think it's very important that this public accounts committee, the committee that is accountable for the expenditures of government in this province, have at least one other legal opinion. To date, we have one opinion, as I said earlier, of Aird and Berlis. We do not have another legal opinion, therefore my motion is to request legislative research to give us the opinion as to the interpretation of section 64.

The Chair: All in favour of Mrs Marland's motion?

Mr Tilson: Recorded vote.

The Chair: Recorded vote requested by Mr Tilson. All in favour of Mrs Marland's motion?

Ayes

Cordiano, Marland, Tilson.

The Chair: All opposed?

Nays

Duignan, Farnan, Fletcher, Haeck, Hayes, MacKinnon.

The Chair: The motion is defeated.

I have before me a further motion, submitted by Mr Farnan. It reads:

"That this committee's deliberations on the Workers' Compensation Board be now concluded."

Any discussion on your motion, Mr Farnan? We'll have brief discussion.

Mr Farnan: I don't think it's necessary to have discussion at this stage. We've had full-ranging discussion. There is

no doubt that there are still questions as far as the opposition is concerned, but from my perspective I find a great dichotomy in an opposition that (a) demands fiscal responsibility and restraint and (b) then would push a situation in which extraordinary litigation costs and penalties would be imposed on the taxpayers of Ontario. I think we've had a full hearing of the board, open and frank. It's time to get on with our work. We have to be back here for 2 o'clock. I would like to see the motion tested immediately.

The Chair: Okay, we're going to have some discussion on the motion.

Mr Cordiano: With all due respect to Mr Farnan, I think he completely misunderstands the work of this committee. Perhaps you have attended this committee on several occasions. I do not recall him being a permanent member of this committee. None the less, I think it's important to recognize on his motion that his intention was that we not further force the Workers' Compensation Board to somehow break its contractual agreement. That is not the issue before this committee. The issue before this committee is accountability. The process that was used by the Workers' Compensation Board was entirely unaccountable to this legislative body and to other bodies. We feel, by right of Parliament, that there needs to be an format in place for any agency of the government to account for public expenditures.

What your motion does is put a halt to that accountability. For some reason, you want to block any further investigation with regard to this decision made by the WCB because it might be a waste of taxpayers' money to break this contract. We do not intend to break this contract. At least, that's not the intention I had in mind when I put the original motion to investigate this question. It was: How was this decision arrived at? Is it a proper decision? Is there a value-for-money decision that's been attached to this? And can we learn from the mistakes that have been made, if indeed mistakes have been made? That's really the extent of this investigation.

Mrs Marland: Let's call this for what it is. The government members on this committee have just voted against having one other legal opinion. They're willing to accept the legal opinion of the Workers' Compensation Board firm. That's what you have just done. Now we have the most colossal motion, which is: "That's the end of it, folks. We don't want to talk about this any more." That's the end of the review of the Workers' Compensation Board building a 755,000-square-foot, brand-new, 30-storey office building, when there are 20 million square feet of that kind of office space available in the greater Toronto area today. This motion is nothing more or less than, "We've opened the can of worms, we've looked under the lid, we don't like what we see, so let's close it."

You are accountable to the people of this province just as much as the opposition members are, I may remind you, and to have your name on a recorded vote against looking further at the options that are available to this committee, in fact to the Workers' Compensation Board—it may well be that a legal opinion that interprets section 64 of the act may not result in a suit being available. It may well be that an interpretation of section 64—

Interjections.

Mrs Marland: It's unfortunate that the government members don't wish to listen, but it may just happen that that legal opinion may give us the out we need to get out of this absurd contract to build in a glut of available office space in Toronto. If that opinion were to give us that out, that it contravenes an existing law, then it may well also be that no suit would be possible. Therefore, it might not cost any money to get out of this contract at all, but these government members do not choose to find out what the real options are.

The Chair: Thank you, Mrs Marland. Mr Tilson.

1230

Mr Tilson: Looking at the motion that was put forward by Mr Cordiano, he's quite right. The question is accountability.

Interjections.

Mr Tilson: I don't know what they're babbling about over there, Mr Chairman.

Mrs MacKinnon: We don't know what you are, either.

Mr Tilson: They're upset; they want to end it. I think the problem is that the subject is accountability. Is the Workers' Compensation Board accountable to no one?

The reason I think the motion is completely improper is that we have now received some documents from Mr King, and we've some indication from Mr King and his solicitor that we may receive more documents. We're being teased by being shown four volumes of documents, which we may or may never see, but they're before us to look at, at least in the binder form, and I think this committee would like to look at those documents. This committee would like to look at the proposals. Mr King has indicated that he may provide the proposals as to how this whole process started.

The form of tender we have yet to see. I'm sure that won't be subject to the privacy legislation. I can't believe it is; maybe it is. Maybe the whole thing is subject to privacy legislation, which shows the whole fraud, that we're losing control of what's going on in this province. But it may well be that the review of the impact studies, the financial opinions as to whether this extravaganza that's being planned at Simcoe Place is appropriate or whether other means of leaseholds around this city might be more appropriate.

I, as a member of this committee, want an opportunity to look at those documents. I want an opportunity to share my thoughts and to listen to the thoughts from the government members and the members of the Liberal caucus on those documents. And I think that after looking at those documents there may be other questions this committee may have. Therefore, I think Mr Farnan's question is completely improper and I would recommend that the committee defeat that resolution, that in fact the committee allocate more time to review this very important subject to the people of this province.

The Chair: Thank you, Mr Tilson. Mr Hayes.

Mr Hayes: Some accusations have been made here that the members from the government are not interested in discussing this particular issue. I have to remind the members of the opposition that the members from the government were the ones who supported the motion in the first place to bring the people from the Workers' Compensation Board here to

investigate some of the loose allegations that were made by opposition members. I think we have done that.

We've had a lot of discussion over six hours, and just to try to prolong and prolong for the sake of—I don't know, whatever.

Mrs MacKinnon: Hansard.

Mr Hayes: Media coverage, whatever it is.

Mr Duignan: TV.

Mr Hayes: TV, I guess. We're not going to be on TV this afternoon, I understand, so they might be a little disappointed.

But I think we have discussed this. We've had opinions here. These people came and I find them to be very straightforward in answering the questions.

Mrs Marland: One opinion, one legal opinion.

Mrs MacKinnon: Three.

Mrs Marland: Ellen, show me the other two.

Mr Hayes: The thing is that we have heard comments made here about other properties and all these kinds of things. They have no facts to back them up anyhow, the opposition members, but I think we have had a considerable length of time to discuss this and I support Mr Farnan's motion.

Mr Cordiano: Obviously, you do not want to be accountable.

The Chair: Order, please.

Mr Farnan has moved that this committee's deliberations on the Workers' Compensation Board be now cancelled. All in favour?

Interjections.

The Chair: I'm sorry, be now concluded; that this committee's deliberations on the Workers' Compensation Board be now concluded. All in favour?

Mrs Marland: Recorded vote.

Ayes

Duignan, Farnan, Fletcher, Haeck, Hayes, MacKinnon.

Nays

Cordiano, Marland, Tilson.

The Chair: Mr Farnan's motion is carried. The committee's work on the Workers' Compensation Board decision to acquire a new head office is now concluded.

We want to thank the presenters and representatives of the Workers' Compensation Board for appearing—

Interjections.

The Chair: Order, please. We're not finished our work.

We want to thank everyone who's appeared for their co-operation and for the information that you made available to this committee.

I want to inform the committee that for this afternoon's session, we will be meeting in committee room 1. The Ombudsman will be appearing at 2 pm. I would like, at the very minimum, at least the subcommittee there at 1:30 to hear the researcher's briefing prior to the Ombudsman's attendance. Please take all your stuff with you, as the room will not be secured. Thank you, and this committee is adjourned.

The committee recessed at 1237.

AFTERNOON SITTING

The committee resumed in closed session in committee room 1.

1406

OFFICE OF THE OMBUDSMAN

The Chair: The standing committee on public accounts is called to order. The business for this afternoon is to discuss the committee's wish for a value-for-money audit, undertaken by the Provincial Auditor, of the Office of the Ombudsman. This discussion will take place among the committee members and the Provincial Auditor and our staff, along with Ontario's Ombudsman, Roberta Jamieson.

We want to thank the Ombudsman for appearing before our committee today to answer our questions and hopefully give us the needed information so that we can move forward with some of the initiatives the committee has discussed. Ms Jamieson, if you have any opening comments you'd like to make, we certainly have allotted some time for that if you wish, and if not, we'll just go into questions.

Ms Roberta Jamieson: Happy new year, good afternoon. In my community we say "new yah" on New Year's Day morning, so I'll greet you that way.

I will be very brief, but I do have a few things I would like to say. First of all, I'm very happy to be here this afternoon to discuss some matters that I think are very important to the public's trust in the Ombudsman.

Many of you will recall that last August I tabled a special report in the Legislature. It looks like this. In that report I spoke to the appropriateness of this committee asking the Provincial Auditor to perform the value-for-money audit of my office under section 17 of the Audit Act. The passage in the special report that refers to that is found on pages 38, 39 and 40. I also suggested in that report that we have a meeting to discuss this. Last October I followed up on that and wrote a letter to the Chair attempting to get a dialogue going, and since then unfortunately we've been unable to find a convenient date until today, but I'm glad we're here today.

There are two misconceptions I'd like to clear up at the outset. I think that'll clear away some of the brush so that we can have a useful discussion. One is that the Ombudsman doesn't want to be audited. The second one is that I don't want a value-for-money audit to be done.

The truth is that I'm already audited by the Provincial Auditor, and I'm audited each and every year, and that is required by the Ombudsman Act. On the second misconception, having to do with the value-for-money audit, it's a matter of public record that I believe a value-for-money audit is a very important and useful management tool, and I'm fully in support of its use. Now I hope we've put those misconceptions to rest so that they don't hinder us in our discussions.

What I am looking for today and why I asked to meet with the committee is to arrange an accommodation, one that allows the value-for-money audit to proceed but in a manner that does not compromise the public trust and confidence in the independence of my office.

In my mind, there are several goals to be accomplished in conducting such an audit. First, I think it's important that both

the Legislature and I receive the information arising out of a value-for-money audit. I am looking forward to any ideas for improvement of service and so on that will come out of such an exercise. However, I am concerned that it be done in a manner that is consistent with the relationship that my office now has, as an officer of the Legislature, with the Legislature. I'm also very concerned that the role of this committee as well as the public confidence in the independence of my office be preserved.

I think there is an accommodation that will accomplish all of those things, and here is my suggestion. I, in the special report, invited—and I reiterate that invitation today—the Provincial Auditor, when next he audits my books, which will be just a couple of months from now, to conduct a value-for-money audit. That makes both practical and efficient use of both of our resources.

I will then undertake to table a copy of the final report with the Speaker in his capacity as chair of the Board of Internal Economy. As you know, the board, chaired by the Speaker, deals with all matters relating to the finances of the Legislature, including its officers. As you are also aware, members of all parties have access to information through their House leaders and other members who sit on the board. I believe that this accommodation will achieve the ultimate objective that both the committee and I share; that is, to do a value-for-money audit. It will not only do that but do it in a way that preserves both the role of this committee and the public's trust in my office as one which is independent from government.

I'm happy to answer questions or discuss this further, but that's—

The Chair: Thank you. Mrs Marland.

Mrs Marland: I was not sitting in the summer as a member of either this committee or the committee on the Ombudsman, and this afternoon I am very appreciative of—do we call you Ms Jamieson, or do we call you Madam Ombudsman, or what do we call you?

Ms Jamieson: Well, I'm happy with Roberta, or Ms Jamieson, or—

Mrs Marland: Ms Jamieson. I'm really very interested this afternoon to hear Ms Jamieson's comments, because I think that she has very briefly and in a most articulate way laid out all the controversy that was swirling around these halls in the summer in probably what were otherwise a few short-news days, and put everything back on the table in the perspective in which I believe it should be. I think it's unfortunate when we have short-news days around here and some individual or some subject gets blown out of perspective, and I think perhaps that's what happened four or five months ago.

As the Ombudsman has said, her office, or the Office of the Ombudsman—it happens to be her office at the moment—is audited every year. It's due for another audit in two months' time anyway. If it's the wish that the audit that is in two months' time be a value-for-money audit, that's quite acceptable to the Ombudsman.

I think the most important issue here is: How do we protect the Office of the Ombudsman from being at risk in terms of the public trust and confidence? I think the only reason the functions of that office work for our constituents in this province is because they see the Ombudsman's office as being totally independent from government. This obviously is not a partisan comment. It doesn't matter when the public perception is being taken. It doesn't matter who the government is. This office would not function, it would not work, if it didn't have that total independence.

We're talking now of something more than arm's length. We have government agencies, boards and commissions which are arm's length of the government. Then we have what are referred to as officers of the Legislative Assembly of Ontario. Those officers have their own independent role, and that role simply doesn't function with any responsibility or any credibility if it isn't totally independent.

Frankly, knowing the number of cases that I think all of our constituency offices are faced with on a daily if not weekly basis that end up either in the Ombudsman's office or at least in a last point of court of resolution to our constituents, I think it's very important to each and every one of us representing the almost 10 million people in this province. So I feel that if this office is going to function the way other officers of the Legislative Assembly offices function, we should back off and let the procedure that is in place follow.

When you think of the officers of the Legislative Assembly and you look at who those people are, I think we would be setting a very dangerous precedent if we decided to treat any one of those offices or the individual officers differently than we have in the past. For example, those officers include the privacy commissioner, the Conflict of Interest Commissioner, the Clerk, the election finance commission and the auditor himself or herself. So I think it is a very big responsibility all of us have when we start looking at individual officers of the assembly and thinking that we're going to treat them the way we review, inspect and treat government ministries. If that's the case, then everything else in how we deal with government and government ministries starts to break down the independence and the perception of exactly what the office of that Legislative Assembly officer's role demands.

I feel very strongly that if the budget annually—and in this case in dealing with the Ombudsman's office—is approved by the Board of Internal Economy, on which there are representatives of all three parties in the assembly, and there is some falling down on the commitments made at the time that budget was presented, the members of the Board of Internal Economy are going to be the first to jump down whoever it is, whether it's the Clerk's office or any of the offices of the Legislative Assembly I've just outlined. If any of them do not meet their commitment to the Board of Internal Economy, then I think they're going to hear about it. I think the interests of the people of this province are being protected while giving those individual officers the independence that is required of their office, plus maintaining the public trust.

It's interesting for me, not sitting as a permanent member of this public accounts committee, to even hear the term "value-for-money audit," because although the Ombudsman has said she has no difficulty with that and she quite agrees with it, I would like to ask the auditor how one conducts a

value-for-money audit without being rather subjective. I'm sure there's an explanation about a value-for-money audit that the auditor can give me in accounting and auditing terms, but when I heard that term I thought to myself, is it the auditor's opinion? Is it subjective or—even though there's no controversy here about the Ombudsman agreeing to it, I have some difficulty about how that is done and maybe you'd like to explain that to me.

1420

Mr Erik Peters: I'd be happy to. The process that is currently being followed in this regard is really literally a partnership process with the authority that is in place. In other words, there's an initial agreement on both the plan and the criteria against which the value-for-money audit is to be conducted. Essentially, the auditor would look for criteria, developed by the auditee, against which they feel they are accountable. There is a bit of a problem if there are none, and I have no reason to believe that there are none in this case. But some controversy does arise, and that may be one of the things you're referring to—where in fact no performance indicators have been developed by management there is a bit of a problem, and where no criteria have been developed by the auditee then there would be a problem. But in most organizations it is really agreeing on the criteria.

Now, they are being evaluated by the auditor, normally, against common standards of some sort that are available. For example, to explain, in this particular instance, the point is being made about the standards of the manual being applied to this particular office. There are many precedents where one can agree, pretty well at the outset, which of those parts of the manual or which of the practices would be considered to impair the independence of the office; in other words, enforce rules that would interfere with the arm's-length relationship of the operations of the government of the day. That would be one particular issue. If you have any other questions I'd be happy to—

Mrs Marland: Mr Peters, when the auditor looks at ministries of the government, I know you're using the Manual of Administration as your guide. Perhaps you can explain how you look at the officers of the Legislative Assembly when you do the audit on their offices. I'm talking about your annual audit of the officers of the assembly.

Mr Peters: Because the last audit was not conducted under me, if I may pass this on to you, Jim, to explain as to what happened in the last audit.

Mr Jim Otterman: We would audit to whatever policies they have in place. Whether it's the Ombudsman's office, the chief election officer or the conflict commissioner, if we felt we came across transactions that according to their policy were offside, if you like, with the Management Board directives, we normally would point those out to the officer to make sure the officer had recognized that difference when they set the policy. In some cases it may be that a policy was changed, say regarding the use of automobiles. Being familiar with the government policy, the Management Board policy in that area, we would point out to the Ombudsman or whoever that this had changed and that they may wish to reconsider whether their policy is giving them what they intended, if that's the way they want to go. Normally, that's not been a

problem in conducting the annual financial audits of these entities.

Mrs Marland: In general then, do the officers of the Legislative Assembly fall under similar guidelines for their operations as do the ministries? Is that what you're saying? You're talking about a policy such as vehicles and—

Mr Otterman: It's varied over the years. In the case of our own operation, we have said that we intend to comply with the spirit and intent of the Management Board directives and guidelines, although clearly there is no requirement that we do so in our office.

Mrs Marland: Then can I ask the auditor, if you found something in your annual—I assume it's an annual audit of all the officers of the Legislative Assembly, the same as the Ombudsman.

Mr Otterman: That's correct.

Mrs Marland: Okay. If you found something that, in your opinion and in your responsibility as the Provincial Auditor, was not appropriate or should be changed—not necessarily inappropriate but should be changed because, after all is said and done, this is public money—would you not make that comment as part of your report? Are you not responsible to make those kinds of recommendations if you see something like that so that the public purse is protected?

Mr Otterman: Yes, and that's what we do, and we issue that report to the individual officer of the particular entity.

Mrs Marland: Right. Is there a requirement for the officer who's involved to file that auditor's report with the Speaker annually?

Mr Otterman: To the best of my knowledge, there's nothing in the legislation, other than in the Provincial Auditor's legislation, that requires the audit report to be tabled with the Speaker or with the board.

Mrs Marland: So there may not be a requirement for those auditor's reports to become public through the Speaker's office. Is that what you're saying?

Mr Otterman: That's right. However, we have two reporting criteria: one being to the management of the entity, the chief executive, and the other would be that if it's of significance to the Legislature, then we would report it in our annual report to the Legislature.

Mrs Marland: Then, Mr Chairman, I think probably what needs to be addressed by this committee is not dealing with the Ombudsman's office in isolation. Surely we should be dealing in equity with all the offices of the Legislative Assembly, and if there is a concern that the public purse isn't being protected because there isn't a requirement for the auditor's report to be made public, then let's address that for all the officers, not just the Ombudsman's office. If there is a concern, then I think that's the way the concern can be addressed.

Personally, I think it's wrong to focus on one officer of the Legislative Assembly. It just doesn't make sense. If you're going to look at one of the offices of the Legislative Assembly, which I would suggest renders more than an arm's-length service to the public of Ontario, then I think we've got to treat every office the same way.

Mr Chairman, based on what I've heard so far this afternoon, when everyone has finished his opportunity to speak, I would like to place a motion at the end of that to suggest that if it is the wish of the committee to have a value-for-money audit, that it is done as part of the annual audit, in this case of the Ombudsman's office, which is within two months anyway.

1430

The Chair: Mr Tilson, you have about three minutes.

Mr Tilson: Three minutes?

The Chair: For the first round.

Mr Tilson: I appreciate the remarks of Ms Jamieson as to the availability of her office with respect to any sorts of audits; very responsible comments, particularly her comments on the necessity of confidentiality. I suppose you could look at your office, you could look at the privacy commissioner. Maybe there are other independent positions or officials in the provincial government where that's most important.

I guess my question is to Mr Peters, Mr Otterman or Ms Jamieson as to whether or not there is sufficient protection of positions such as the Ombudsman or the privacy commissioner—we're going beyond the Ombudsman, but it's the same issue, I suppose—that enables these various audits to be done but at the same time ensures the various concerns Ms Jamieson has outlined. The main one you seem to be concerned with is confidentiality and independence, I suppose. Would that be correct?

Ms Jamieson: My concern today is certainly to make sure there is an accommodation reached where we can accomplish what we all want to accomplish but in a way that preserves the independence of the office. The way the Legislature has chosen to deal with the officers of the Legislature financially is through the Board of Internal Economy. It's there that we go for our estimates. It's there that I or any of us go to answer questions in between the estimates, if they arise. That's why I thought it was most appropriate.

Mr Tilson: Because those meetings are in camera, is that why?

Ms Jamieson: No, that's not the reason. For me, the reason is because that's the way the Legislature has decided to deal with its officers. It's chaired by the Speaker. He's the kind of penultimate independent officer of the Legislature. They make sure the appropriate balance is there between independence and accountability.

Mr Tilson: I guess my question to all three of you is whether there is sufficient protection in any legislation, whether it's the Ombudsman Act or the Audit Act, that ensures that type of protection but at the same time enables sufficient audits to go through. Obviously, there's quite a difference between someone asking you how you use your automobiles or how your staff use their automobiles as opposed to what's going on in a particular file. I mean, those are two very different matters.

Ms Jamieson: I think you'll find this is a very timely discussion for a couple of other reasons. As officers we are discussing some of these matters, where there are gaps, where it's clear, and what is the nature of the relationship between officers of the Legislature and the Legislature itself. I noticed

from reading Hansard that the standing committee on the Legislative Assembly is also thinking about discussing, what's the relationship between the officers and the Legislature?

I think the acts are different. My act says I must be audited annually, I must be audited by the Provincial Auditor. It provides for certain independence in staffing, leasing office space, that kind of thing. It's right in the statute. I have not been called upon, nor am I obliged in the act, to table my audit report. But I'll tell you, observing that myself, I have undertaken to publish it in my annual report. For the value-for-money audit, that's why I'm undertaking to table it with the Speaker, as the chair of the Board of Internal Economy, because I think it's appropriate. I think they're entitled to know what is found.

Mr Peters: If I may make a comment, this question is very important to us, because in value-for-money audits one of the most important questions the auditor has to ask himself is really who's the client, whom is he serving? One of the latest developments in this area, and one I'm very keen on following—I've just been two weeks in the job; I haven't had major discussion about this topic yet with my colleagues—is really who can take action on the recommendations you're making? In other words, there may be a layer of recommendations which you make to management because it can make the action, and the only ones you would take to higher authority is where you have a difference of opinion with management; in other words, management for one reason for another does not wish to take action on a particular recommendation. Then there is also the authority question, as to whether the officers can indeed take action on the particular recommendation. So it is very important to the auditor to report to those levels of authority that can actually take action on the recommendations.

I am grateful to the Ombudsman, Roberta Jamieson, that she has brought up the issue of who is the client, particularly with respect to the legislative officers, as to where you go. The ultimate value-for-money report that I could foresee at one stage is that we issue a one-page report which simply says that all the matters that have arisen in the value-for-money audit have been satisfactorily resolved with management and it is wishing to take action, except for the following; and if there any exceptions, they are then reported to the next higher authority, if there's a problem.

Mr Tilson: What's to preclude you presenting this report to this committee?

Mr Peters: This is the concern: in essence, the instruction. In other words, if you are asking for a value-for-money audit, essentially this committee becomes the client and therefore you end up with a report. I think this is the concern the Ombudsman brings forward.

Mr Tilson: And that 's your concern: You don't like that. Or it's not that you don't like it, it's because the legislation, you say, doesn't—

The Chair: Unless we say, "Give the report to the Speaker."

Ms Jamieson: You see, it's my view that it's inappropriate. It's not that I don't like it or—

Mr Tilson: You're right; the wrong choice of words.

Ms Jamieson: It's my understanding that this committee is to make sure government spends its money appropriately and the Legislature set it up to do that. The Legislature also set up the Board of Internal Economy to make sure the Legislature spends the taxpayers' money appropriately. Since I'm an officer of the Legislature, it seems to me that's the appropriate place to go.

So it's never been a question of whether we should do this. It's always been in my mind a question of how we do it and that we do it in a way that preserves the public's trust in my office as being independent. That's why I've come up with what I think is an accommodation that will serve everybody's needs.

The Chair: We have Mr Duignan, Mr Farnan and Ms Haeck; 20 minutes to be divided.

Mr Duignan: Welcome. I used to sit on the Ombudsman committee and sat on it last summer and a period of last year. I know a number of issues were raised by all sides in relation to the report. I don't want to get into that today. I think basically what you've brought forward here today is a compromise in doing a value-for-audit report along with your annual audit. To me, it would seem to be a fair compromise on that issue.

However, picking up on a point that Ms Marland raised, the issue of the officers of the Legislative Assembly—and you made reference to it as well—there is no common mechanism reporting of the officers at all. In fact, your particular office reports to a committee, basically to the Ombudsman committee, and the authority for an audit is done under the Ombudsman Act, not under the Audit Act. Isn't that correct?

Ms Jamieson: It is true that the authority for the audit comes under the Ombudsman Act. I'm required to report to the Legislature through the Speaker.

Mr Duignan: I know there are a number of problems, and the officers of the Legislature have raised that with the Speaker. The Speaker in turn, as Chair of the Legislative committee, has raised it with me. There's need for review of the officers of the Legislative Assembly, but that's another venue for another time. I want to reserve some time later to ask some questions, but I'll turn it over to Mike, if you want to continue.

Mr Farnan: It's just a brief comment. There has been a lot of comment around this particular issue, but I think this afternoon we have been presented with what I would call not just a compromise: I think it's an honourable compromise; I think it's a compromise everybody can live with. It allows for the scrutiny of the operation and it allows for the independence and the integrity of the Office of the Ombudsman to remain intact.

I would caution two things: First of all, I think we should deal with this issue independently of other officers of the Assembly and I think we should move on accepting the compromise. Secondly, if there are some generalized proposals as to process for the future, we should deal with that independently. I suggest that to you, Mr Chair, as a means of proceeding, but I believe we have something before us for which there can be all-party agreement.

1440

Ms Christel Haeck (St Catharines-Brock): I would like to question the auditor, if I may. The proposal is that the audit—the value-for-money audit, to be clear—should be done when next the Ombudsman's office is reviewed, which would take place in the next couple of months. Is this correct?

Ms Jamieson: At the end of the fiscal year.

Ms Haeck: At the end of the fiscal year. So I assume you would have the staff and time available to do it. I know that frequently your office has a range of demands before it, but you would be able to do it at that time?

Mr Peters: Yes, we do. We have the staff available.

Ms Haeck: Okay. I know the Ombudsman committee is writing its report in March, so obviously there would be some similarity of time frame between the two. As a member of that committee, I think it would be pretty close to when we would like to have that information. At least as an individual member of that committee, I can lend my support for the recommendation presently before us.

Mr Peters: Can I comment on that? When I said yes to the resources, it does not mean—we will most likely not be in a position to report by March 31.

Ms Haeck: No, I fully appreciate that. I understand you'll be doing a number of audits at that time and reporting some time later, but it will at least be in some time frame. I think there was a concern on the part of the committee that this would be taken maybe even into the next year rather than this coming year.

Ms Jamieson: Normally the auditor comes in right at the end of the fiscal year and you report what, May, April?

Mr Otterman: May or June.

Ms Jamieson: So that's what we're talking about, are we? Is that realistic?

Mr Peters: Yes we are, but because of the value-for-money audit, we may have to come in earlier to start it out, to give us the total time span. In the annual audit itself we would probably rely on the books being closed and information being available, but we may want actually to start the value-for-money audit if we want to have coincidental termination of the two audits. Value for money, as you will appreciate, demands a lot more in terms of resources from us and a lot more time. So we may want to come in somewhat earlier and arrange that with you than we do for just the annual audit.

Ms Jamieson: I don't want to take up your time. May I have one minute? I know you've got time for questioning. As I understand it, what I'm seeking is an accommodation that would allow the auditor, when he comes in to do his usual audit, to do a value for money at that time. I know we're going to have to have some discussions and I'm happy to start those any time. As to how that's going to be accomplished—for example, my understanding is you'll want to look at things like case management, that kind of stuff. I obviously have concerns about confidentiality, and we'll have to figure out a mechanism that will preserve that but allow you to look at the issues you need to look at. Those discussions can begin any time, and then the audit would be done when the next audit is done and the report I undertake to table with the Board of Internal Economy.

Ms Haeck: If I can proceed with my questioning, during the interview for the position you now hold, with all the people who were short-listed we had a long discussion about how a value-for-money audit is accomplished. I believe all the candidates stated in one way or another that there are lengthy discussions with the proposed auditee to really lay out a plan of action so that everyone is clear as to what the audit is about, and the confidentiality issue Ms Jamieson raises would in fact be taken into account. Am I correct?

Mr Peters: You're right on. That's why I'm bringing up the point that we may want to probably meet as early as possible, because very often the development of the audit plan and the criteria against which the audit is to take place take an awful lot of time.

Ms Haeck: I would assume there are other agencies or obviously even branches within the government that deal with case work where confidentiality is an issue as well, and you obviously handle those with aplomb on a regular basis.

Mr Peters: Yes, there is confidentiality of information between us and the auditee.

Ms Haeck: Especially where individuals are concerned?

Mr Peters: Absolutely. It's very clear that there are very often different parameters set, but there are confidentiality parameters definitely as far as individuals are concerned, and any other criteria the Ombudsman might bring up that would, in her opinion, impair the confidentiality would certainly be open to discussion.

The Chair: Mr Duignan, some more questions?

Mr Duignan: As my colleague Mike Farnan has stated, I think this is an honourable compromise. This issue has been going around for the best part of a year, longer in the Ombudsman committee, and it's been touched on in this committee as well, and I think maybe this is a way to resolve the situation.

Ms Jamieson: I wonder if I could make one short comment. These matters have been swirling around for a while but without a lot of specificity, without substance coming forward. I look forward to this exercise as a way to again put the facts forward, which I think have been sadly lacking. So I'm looking forward to this exercise.

The Chair: Mr Cordiano.

Mr Cordiano: I did arrive late and I was not privy—

Mr Robert V. Callahan (Brampton South): I come early and he gets on first.

Mr Cordiano: Well, that usually happens. You'll have to bear with us. If you want to go ahead, you can go ahead.

Mr Callahan: It's okay, you go ahead. It's not your problem. The Chairman's written my name in invisible ink, I think.

The Chair: Mea culpa. Go ahead.

Mr Callahan: I've sat on a number of committees over the last little while, Ms Jamieson. If you read the Hansard you'll see that I defended the Office of the Ombudsman when there was a lot of raging and ranting going on by a lot of members, because I do believe that the Ombudsman's office is very specific and very special.

If members are able to shed a cloud of mistrust or speculation on the office and create what I think may have amounted almost to a witchhunt, I think that's very dangerous. I don't think they did it intentionally. I think they simply did it by carrying out a function which—I think during the Second World War they used to say, "Loose lips sink ships."

I can fully understand why this controversy got worse because, as they tried to lure you or order you before various committees, you took the position that because of your independence, relinquishing your independence by coming before those committees in response to those so-called directions would in fact have breached the integrity of your independence.

And of course we must recognize the fact that if your independence is not total, then members of the Legislature who, for whatever reasons, are not happy with the response they get to a particular concern of their constituents might very well—one would hope unintentionally, but perhaps even intentionally—try to create a groundswell again that would give the Office of the Ombudsman a black eye. I think that doesn't serve anybody's purposes.

1450

Having said that, though, there are some concerns that just generally, I guess, we have to feel strongly about investigating. I'm glad you came today and came up with the compromised solution, because I think that certainly this committee, if there's any function to it, is to ensure that governments are held accountable, particularly majority governments. It's not as difficult to hold accountable a minority government, but it's very difficult to hold accountable a majority government because we don't have any control over what it does.

I think equally that your office has a responsibility of independence. We as the public accounts committee also have a role to play in terms of maintaining the integrity of our authority to call before us any body to account. We tried to do that and I think what happened is got into a letter writing contest. I think it was the public accounts committee. Was David Ramsay on this committee?

Mr Tilson: No.

Mr Callahan: Maybe it was the Ombudsman committee. I guess they were trying to craft a letter that would not go so far as suggesting that there was a reward on your head for the return of your body before the committee dead or alive type of thing.

The public accounts committee I find to be different. That's where I think I have to perhaps ride two horses in saying that I think the public accounts committee has a responsibility to investigate matters of anybody where public tax dollars are involved, and that includes the Ombudsman. I think that when we do that we're simply doing it in a way to ensure that the taxpayers' dollars are being spent wisely and properly.

I know that may become a head-on collision with what you and your predecessors have believed that the Ombudsman's role is, that it should be totally independent, and that by being able to review and to look into those areas we are in fact indirectly placing some restrictions on the function of the Office of the Ombudsman. But I think to do any-

thing less would be irresponsible on the part of the members of this committee and the function of this committee.

I know what you've offered as a compromise. As one member, I'm prepared to try it that way and see what happens. I guess my major concern is that on the Board of Internal Economy, without for one minute wanting to perhaps suggest there might be the majority view on that committee that might not give us the full understanding of how or why moneys are being spent—I don't think I'll say any more about that because that's perhaps espousing motives, but we are all politicians and there can be political decisions and there can be political decisions.

I think that the public accounts committee, as near as I can figure, has always been one which has had a history of being non-partisan, although we do drop into the arena of partisanship from time to time, and this is really the arena where accountability should be reviewed and directed. I guess that's why the auditor is attached to us, to give us the opportunity to be able to make certain that the dollars are spent wisely.

As I say, I like your accommodation, but I have reservations. If at any time I believe that it's not working, that it's not giving us a full accountability, I will tread very lightly—as I started, and I'm going to end, which will probably give a sigh of relief to everybody, especially Joe—because I respect the importance of the integrity of the Ombudsman's independence.

But none of us is totally independent. I think Mr Justice Morand when he was Ombudsman, or maybe it was Mr Arthur Maloney, and other ombudsmen who have preceded you have struggled with that very question as to how do you remain independent and yet how do you maintain the accountability for which we are all responsible in terms of the tax dollars that are spent.

As I say, I'm going to accept your accommodation. I think it makes sense and it's one that we can try. But I won't be dispelled from resorting to a different way of approaching it if I have any reason to believe—and I'm not suggesting it would be your office—if for any reason I have any concerns, be they real or apparent, that the very pressed, hard-earned dollars of the taxpayers of this province are in jeopardy in any way, shape or form.

I wouldn't hesitate to go the other way, and hopefully not get back into the same contest we were in before, because I think it doesn't serve anybody well for committees to be hunting the halls and putting out a warrant for your arrest and so on, nor do I blame you for what you did. I think you were trying to maintain the integrity and the independence of the position, but it became very difficult as to how we were going to meet. I'm glad we have met. I'm prepared to give this a try, as you've suggested that it be done in that way, with all the caveats that I've already put forth.

The Chair: We have Mr Cordiano and then Mrs Marland.

Mr Cordiano: Oh, there's time left over? I think my colleague has covered quite extensively the basic areas I wished to discuss, but I just wanted to say that I think each member of this committee, and in fact of the Legislature, respects and expects the Ombudsman to be independent and to maintain the integrity of that office and your position.

None of us has approached this with a view to eliminating that autonomy or eliminating any shred of that independence from the Office of the Ombudsman.

I think it needs to be reiterated and emphasized that this committee deals with value-for-money audits for the most part because essentially it's the realm in which very few assessments are made in the main by either the Legislature as a whole or the government, and it allows the public to view whether in fact there is accountability, and not just in the normal course of accountability by the accounts that are audited each year in the normal financial way. I think we're asking for something that goes a little bit beyond that, because it's essential that we do that.

But I think, having said that, we would want to maintain the independence of this committee, as my colleague and others have pointed out, and that it's absolutely a must that this committee and the auditor have access to any agency or officer or office of this Legislative Assembly or government and the expenditure of public funds, because it's, after all, the expenditure of public funds that must be accountable. Therefore, we can be flexible and we can work with you, but we have to maintain that very basic principle, that the expenditure of public funds, whenever it takes place, must be accountable to the people of this province through this Legislative Assembly and through this body which has been appointed to do that.

That's where we start. We start with that basic premise. That's the principle under which we operate on this committee, that if there are expenditures of public funds, then those expenditures have to be accountable. I don't think there's any office that comes under the mandate of this Legislative Assembly or this government which is beyond this committee for that kind of scrutiny. So if we have to accommodate your particular needs, we're prepared to do that.

If it's to maintain the integrity and the independence of the Ombudsman's office, we understand that and we have to do that. But by the same token, we believe that we have the right, and in fact we're obligated, to look at those accounts in a value-for-money audit. That's why we start with this basic premise.

1500

Mrs Marland: I think I'm next, so I think I'll take the privilege, with the Chairman momentarily out of his chair. Through the Chairman, however, I would like to speak to the member for Brampton South, Mr Callahan.

The Chair: Margaret, you can do whatever you like.

Mrs Marland: I would like, Mr Callahan, knowing you for a long, long time—

The Chair: Be careful now.

Mrs Marland: —back into your municipal council days, to hear you withdraw some comments that you've just made, because I find them personally offensive and not in the best interests of the Office of the Ombudsman.

You said something to the effect of an outright suggestion that there had been a warrant for the arrest of the Ombudsman. You said, "Instead of having all this stuff going on in the halls, including a warrant for your arrest," and I think that being a responsible litigator in your own right, you would want to withdraw that inaccurate statement.

Mr Callahan: If I could just respond to that, I didn't say "warrant." I said there shouldn't be—I can't remember the exact wording. If that's the way it came out, I withdraw it, but I don't think that's the way it will be reported in Hansard.

The Chair: Mr Callahan withdraws anything and everything he said that may have been offensive.

Mr Callahan: That may have offended you, Margie, or Ms Jamieson.

Mrs Marland: I appreciate that, because I think it was a very serious comment. You see, the point is that as we sit here as members of this committee and perhaps say things differently than we really intend them to be said, Mr Chairman, this just confirms the argument that I think perhaps most of us are supporting this afternoon in this committee, that the officers of the Legislative Assembly do have to be treated differently than do the departments of government.

It's not for their sake; their job isn't for their sake. If you look at any of those officers—I mean, heavens above, why do we have a Conflict of Interest Commissioner and an election finances commissioner? It isn't for the sake of the individuals; it's for the protection of the public. It's for the opportunity for the public of this province to be well served to the best of the abilities of the individuals who are appointed as those commissioners, and also for the benefit of the elected representatives of the Legislative Assembly, to know that they always have this other office to which they can refer their constituents, an office that is totally apart from any ministerial or government department.

The very fact that we have a process where government agencies, boards and commissions and government ministries can come before the Legislative Assembly committee, can come before the estimates committee, before the public accounts committee and before the agencies, boards and commissions committee—we've got all these vehicles out there that well serve the protection of the public of this province. Then we come to this separate group of people who are in none of those categories. They're officers of the Legislative Assembly.

So, in my opinion, until there's some very strong argument about why we should change the system that exists, I think we should allow the current system to continue, and until somebody comes forward with a strong argument and example where there is some blatant problem with the current system of audit and review of those officers, I think we should just continue as we are. If that were to happen—listen, folks—wouldn't the first thing be that the person would be removed from that office and there would be a remedial solution developed to address whatever the problem was?

I think the bottom line of what we're saying here is either we have confidence in a system with a Provincial Auditor or we don't.

Mr Cordiano: I don't think that's what we're saying.

Mrs Marland: Excuse me. I think I have the floor.

The Chair: Order.

Mr Cordiano: Are we rotating again?

The Chair: Yes, we are.

Mrs Marland: I feel very strongly that we should do as Mr Farnan said as well, that we proceed with the direction that has been suggested this afternoon by the Ombudsman

herself. I've already worded the motion once for the committee, Mr Chairman, and I think perhaps now would be as good a time as any for me to move that motion.

Mr Cordiano: We should have another round first.

Mrs Marland: Certainly; you can speak to the motion. I'm not cutting anybody off. But the point is that I think we step on very dangerous ground when we start treating the offices of the assembly the same way as we treat the government ministries, because all of us sitting here as elected representatives know better than anybody where the public perception is about how the business of government is done today, and they've got to know that there is this independence and demonstrated integrity of these particular offices, apart from government ministries. It's not a matter of them only being visibly separate; it's a matter of them being totally functionally separate, and therefore it follows that the review of those offices has to be conducted differently too.

The Chair: Mr Farnan and then Mr Cordiano.

Mr Farnan: I would support Mrs Marland's motion being placed on the floor at this stage. I think there's been considerable debate—

Mr Callahan: How about on the table?

Mr Farnan: My apologies. That'll be fine, on the table. I'm glad you were able to make a positive contribution this afternoon, Mr Callahan.

Mrs Marland: Do you want me to write it or can I just do it verbally?

Mr Cordiano: Mr Chairman, on a point of order: We have the Ombudsman before us, and I thought it would have been more appropriate to direct questions to the Ombudsman and allow us—

The Chair: I've not limited anyone from asking questions.

Mr Cordiano: No, but I'm just saying we're kind of getting into a debate about the parameters for this discussion, for this subject matter, among committee members. I think we had decided prior to this meeting that we were here for a very definite purpose, that the subject matter to be debated today was with respect to conducting a value-for-money audit and the ability of this committee to do that in the face of what interpretations the Ombudsman had regarding her office's independence vis-à-vis the auditor and the ability of the auditor to conduct a value-for-money audit. We're getting away from that and we're getting into the realm of discussion with respect to the independence of all officers of the Legislative Assembly, whether this committee has its independence and integrity intact. I mean, we're going off on all kinds of tangents here.

Mrs Marland: Would you like me to place my motion then? Would it help?

Mr Cordiano: Sure. I don't think it's appropriate, but you can place it.

Mrs Marland: I'll place the motion, because—

Mr Cordiano: Sorry. I just wanted to finish by saying, before I was interrupted, that I did not wish to waste the Ombudsman's time by being before us and members of the committee debating among each other whether this is an appropriate initiative or not. I wanted to have the opportunity to

discuss the details of the issue before us with the Ombudsman, and obviously we haven't been able to do that.

The Chair: Any member of the committee who wishes to ask the Ombudsman questions is free to do so. We're still in rotation, and if you want to make statements, you can make statements; if you want to ask questions, you can ask questions.

Mr Duignan: On a friendly point, Mr Chair: I think Mrs Marland has tabled a motion on the floor and I was wondering if Mrs Marland could read the motion.

Mrs Marland: Now it's tabled on the floor.

Mr Duignan: Or whichever way you want to put it.

1510

Mrs Marland: Mr Chairman, I would like to move the motion I outlined at the beginning, which would be that I move that the standing committee on public accounts request that a value-for-money audit of the Ombudsman's office be executed as part of the annual audit of that office, which is due within two months' time, at the regular scheduled date for that audit to be done, and that that report by the auditor be tabled with the Speaker, as suggested by the Ombudsman herself.

Mr Callahan: Can you re-read that motion?

The Chair: We're going to work on it. Just give us a second.

Mr Duignan: On a point of clarification: If it's a report from an officer of the Legislature—

Mr Cordiano: Let's hear the motion first.

The Chair: Okay. I guess we could refine the motion somewhat, but basically it reads that Mrs Marland has moved that the standing committee on public accounts request that a value-for-money audit of the Office of the Ombudsman be conducted during the regular audit of that office and that the audit be tabled with the Speaker.

Mr Duignan: On a point of clarification: My understanding is that when a report is tabled with the Speaker, then a copy of that report is made available to all members. Is that correct?

The Chair: That's normal procedure.

Mr Callahan: I'm not sure if that's what your—

The Chair: Hold it, hold it.

Mrs Marland: Could I ask Ms Jamieson to clarify what she was—

Ms Jamieson: Would you like me just to run over the accommodation I was suggesting? I have invited the auditor, when next he audits my organization, to conduct a value-for-money audit, to proceed with that. Because he'll then give me the report, as he normally does, I will undertake to table a report of that report with the Speaker in his capacity as chair of the Board of Internal Economy.

The Chair: So as I understand you, you want to do a report of the auditor's report?

Ms Jamieson: No. Let me try one more time; maybe I'm not being clear. The accommodation I'm suggesting is that the auditor, when next he audits me, as he does annually, do as well a value-for-money audit.

The Chair: Right.

Ms Jamieson: I will undertake to table that report with the Speaker in his capacity as chair of the Board of Internal Economy. If I could suggest something for the committee's consideration, perhaps it would be enough—I don't know—for the committee to move that it approves or accepts the accommodation suggested by the Ombudsman. Would that be clear enough?

The Chair: It might be clear enough. Let me get a handle on things here. I see a lot of individual members wish to speak, so we might as well start in appropriate rotation. Mr Callahan.

Mr Callahan: I just want to get clarification. That was my understanding. I think Mr Duignan is wrong that in fact it would be tabled with the Speaker, because anything that's tabled with the Speaker becomes a public document for all and sundry in the House and, I guess, everybody outside too. That's not what you're suggesting at all. What you're suggesting, as I understand it, is that there would be a value-for-money audit done, that you would receive it and you would file with the Speaker your report—

Ms Jamieson: No, I would file it.

Mr Callahan: You would file it with the Speaker.

Ms Jamieson: As chair of the Board of Internal Economy, so the whole board would get it.

Mr Callahan: Okay, but you're not intending then that it go beyond the board unless—

Ms Jamieson: It's my understanding that members have access to information through the board members. If the board wants to circulate it widely, it can.

Mr Callahan: All right. Maybe I can—

Interjections.

The Chair: Just hang on. Everybody hang on.

Mr Callahan: I just want to get further clarification. I thought that was what perhaps was being said. Certainly, I don't think it's what Mrs Marland's motion says.

The Chair: I think it's close. We can work on the wording.

Mr Callahan: Let's take the worst scenario. Let's say the Board of Internal Economy says: "No way are you going to see it. Nobody's going to see it. It's a Board of Internal Economy document. You can't see it. If you want to get it, go through the privacy and information route." The auditor is muzzled. He can't say anything about it. Am I correct? I'd like to find out whether you agree that this could be a possible scenario—I'm not suggesting it would be, but it could be—that it would never see the light of day.

Ms Jamieson: Mr Callahan, I can't speak to what the board might or might not do. I know on any issues I've talked to the board about or any issues that members have raised which they wanted the board to chat with me about, there certainly has been ample opportunity. I'm suggesting that this accommodation is consistent with the way the auditor and I work together now on our usual audit and it's consistent with the way I relate to the Board of Internal Economy.

Mr Callahan: In fact, that does put this committee in the position where it would have no access to that whatsoever except through the Board of Internal Economy. Is that right?

Ms Jamieson: It's my understanding that you'd go to your board member for access to the information.

The Chair: It's out of the hands of the Ombudsman. She can't give you those answers. It's up to the board, if that's the route we go.

Mr Cordiano: I say this mostly to the members of the committee, as a committee matter. Perhaps at this point in time it's most appropriate to put it in this way. I would respectfully say to the Ombudsman—this is probably apart from what role you might play—if you're intending to do that, then that would be a request you should make of the auditor, to have your office audited in a value-for-money audit, as you become the client of that report.

That's not the way in which this committee functions nor has it functioned that way. When this committee asks the auditor to do a value-for-money audit, it's for the express purpose of this committee to review that audit in its deliberations. This committee conducts its work that way. Whatever we do is done in camera for confidential reasons. We would respect that confidentiality by going in camera.

If that did not satisfy the requirement for confidentiality, which in your case I think would be satisfied with respect to individual cases and personal information, which we really would not have any interest in—it's really more a question of expenditure of funds and the management of those funds and does not enter the realm of personal, confidential information. Perhaps we could deliberate on that a little further for me to understand what confidentiality requirements there are with respect to individual cases, which we really would not be interested in. What we're interested in is the expenditure of moneys and seeing that those moneys are expended efficiently.

Confidentiality for me is not really an issue in this regard. I think, as a matter for the committee to decide, it has to decide whether we should move in that direction. I would recommend that we do not do that, because it does not fall within the ambit of this committee's responsibilities and therefore sets a new precedent for this committee, which does not bode well for the independence of this committee. We're violating that basic principle for ourselves, and I don't think that follows for this committee.

1520

The Chair: Do you want me to try to read this motion again? We've reworked it and we'll see what the committee thinks.

"That the standing committee on public accounts direct the Provincial Auditor to conduct the value-for-money audit of the Office of the Ombudsman during his regular financial audit of the Office of the Ombudsman and that this report will not be tabled with the standing committee but will be tabled with the chair of the Board of Internal Economy."

Mr Farnan: I think, included in the motion, Mr Chair, is the commitment of the Ombudsman that she will table the report with the Board of Internal Economy. I'm not sure if that's part of the independence the Ombudsman is seeking.

The Chair: Okay, we can add that. Anyway, we're getting closer.

Mr Tilson: You told us this, but perhaps you could repeat it. You're appointed by whom?

Ms Jamieson: By the Legislature.

Mr Tilson: By the Legislature. I understand your concern is that if the report were tabled with this committee, you would have concerns about that because you are answerable to the Legislature and not to this committee. Is that the rationale as to why you're concerned with the wording of Mrs Marland's motion? I think I understand the distinction. There's quite a difference between your tabling it or filing it and the auditor filing it, because then who are you answerable to? That's your issue. Am I correct? Is that what your position is?

Ms Jamieson: I think that's certainly getting close, Mr Tilson. Maybe I can answer it this way. This is a necessary piece of information. I did a survey over a year ago of members of the public to find out what they knew about my office, what they thought about the office and what they were worried about. The single issue they were most cynical and sceptical about for my office was independence from government. They said, "We're not sure we believe you're independent."

I'm asked that question every time I speak anywhere in the province. They say to me: "Well, how is it that you're independent? You get your money from the government, don't you?" I tell them my budget comes, like that of all the other officers of the Legislature, through the Board of Internal Economy that's chaired by the Speaker. So no, it doesn't come from cabinet; no, it doesn't come from Management Board; it comes from this Board of Internal Economy. That is one of the most persuasive bits of information in telling the public, guaranteeing to them, that I am independent.

It's my understanding that you've got these two bodies. You've got the public accounts committee, which is a watchdog on government spending of taxpayers' money, and the Legislature has also created the Board of Internal Economy, which watches the spending of money internal to the Legislature. Involved in that are our committees, members and the officers of the Legislature. That's the body I relate to, that's the body that looks at my estimates, that's the body that asks me questions, and that's why I'm saying this is the body to which I feel it's appropriate to table the audit. I'm happy to both request the audit and table the audit, because that will give the information to the Legislature, absolutely, as well as to me.

Mr Tilson: Do you have any problem with the Provincial Auditor, notwithstanding what you do, bringing his or her report to this committee?

Ms Jamieson: Yes, I do, because that's not consistent with the legislation that was set up creating my office or the current setup. In the future that might change, Mr Tilson.

Mr Tilson: That gets back to the very first question I asked you and Mr Peters and Mr Otterman, and that was, is there any amendment that needs to be made to either the Audit Act or the Ombudsman Act? We can make all the resolutions we want today, and tomorrow we can change them. Big deal. It's very fine to say we're going to accommodate each other, wink, wink. The fact of the matter is, what does the law say?

That's why I asked you, and I asked Mr Peters that question, either through the procedures of this committee or the House or whatever, but no one has told me that. You've re-

ferred me to section 17 or whatever it is in the act, but there doesn't seem to be any section that you've referred to or Mr Peters has referred to that defines this topic. I understand your rationale. I'm not so sure I understand anything that—

The Chair: Let's see if I can help, Mr Tilson. The way I understand it, after having reviewed the matter some months ago and reclarified it again this afternoon, this committee, in my view, has the authority to request a value-for-money audit of the Office of the Ombudsman. Having that authority, then the report of the Provincial Auditor would automatically come back to this committee, but we also have the authority to request that the report of the Provincial Auditor go to a different body, a different committee, the Board of Internal Economy, for example, as is being suggested today.

Mr Tilson: But we could change that tomorrow. We could change that question.

The Chair: How do you mean we could change that?

Mr Tilson: You referred to legislation that allows this committee—maybe it's not legislation, maybe it's regulation, I don't know. It's section 10 that authorizes this committee to—

The Chair: It's 17, isn't it? It's 17.

Mr Tilson: It authorizes this committee to request the Provincial Auditor to do an audit.

Mr Duignan: Shall I read this section?

The Chair: I read this to the committee some months ago.

Mr Tilson: My point is, Ms Marland or someone else makes a resolution to set forward this accommodation. Tomorrow, another committee—it could be a different committee or a different group of members of the House who are sitting on this committee, another year—could just reverse all this.

The Chair: By unanimous consent, we can do a great number of things.

Mr Tilson: That's right and that's why I asked the question. Is it of concern to either the Ombudsman or the auditor that any piece of legislation be amended if you're of concern that section 17 challenges your independence?

Ms Jamieson: If I could answer it this way, I am not looking for an amendment to the Audit Act today and I am not looking for amendment to the Ombudsman Act today, nor am I looking to debate the intricacies of section 17, which I could. It's a pretty tortuous route that you have to go through to find section 17 and then get to an officer of the Legislature. We all know that.

I was hoping to transcend that discussion so that we don't get bogged down and we can achieve the ultimate objective, which is to get the value-for-money audit done. I'm happy to do that and I have found, I hope, an accommodation that won't offend some of the committee members' views of their role and that won't offend the principles of my job.

That's why I've put forward the accommodation I've put forward, because I don't know that the ultimate questions are going to be settled. I think the ultimate questions are going to be looked at in places like the Legislative Assembly committee. It's going to look at the whole relationship between officers and the Legislature. I don't know for the future perhaps,

but what I am trying to go is find a way of getting this done without offending anyone.

Mr Farnan: I would suggest that indeed the Ombudsman has found a way. It gives us the kind of tool in order to provide the information we require. It provides a process which allows the Ombudsman to maintain the independence and integrity of her office. I think we would all endorse the view of the Ombudsman that it is of primary concern to the public and indeed to all legislators that this office must be perceived as at arm's length, independent of the government.

Now, having achieved all of this, there is nothing that mitigates against changing laws or acts that change the process, but I think what would happen this afternoon, if all parties can support this particular proposal, is that we will have become problem-solvers and yet retain the goals both of the Ombudsman's office and of ourselves as legislators. It probably has a basis in terms of setting precedents or establishing a procedure that others can look at and follow and incorporate into law, if that's the will down the road.

At this particular moment in time, I think we have an opportunity as a group of legislators to resolve what has been a thorny problem, and in a manner in which I think the goals of everyone are met, so I would endorse the committee accepting the proposal.

As Mr Cordiano has pointed out, I don't think we have to look at other, similar types of offices at this moment in time. We have an opportunity to resolve this particular one. Let's do it, and when we've done that, then perhaps we can have a more encompassing debate about process in general. But I think we've got a golden opportunity here to do something very constructive, very positive and to look upon the work of the government and the Ombudsman as partners, as well as watchdog.

1530

Ms Haeck: Maybe my having been absent from the room for a few minutes during Ms Jamieson's presentation meant that I misunderstood the ultimate venue of the report. I have to say that while I concur with the idea of doing the value-for-money audit at the same time that the normal audit would have been done, I cannot concur with where in fact the report will be tabled, as in Ms Marland's motion.

I think this is sort of the essence of the controversy that has been going on between the Ombudsman committee and the Ombudsman's office, as well as our standing as a committee, because we are basically also an arm of the Legislature and as such I believe are entitled to receive that report. So I think this is the long-standing nub of the problem as to what our role as a committee is, what the role of the Ombudsman committee is and who's entitled to see what.

I personally don't want to get into the long legislative wrangle of who's entitled to do what, but there is this difference of opinion and as a legislator, someone who is empowered within this office to see these reports, I feel that this committee is the appropriate venue to see the auditor's report. I just think it's part and parcel of our job, as it is part and parcel of the Ombudsman committee's job, to review some of those cases denied. So that motion, as it currently stands, I will not be supporting. I cannot.

Mr Duignan: I will be supporting the motion, even though I'm not totally happy. I believe it's along the sentiments that my colleague Mr Farnan has indicated. The problem I have is that if the report goes to the Board of Internal Economy, the Board of Internal Economy may choose not to release it to the members and we can't get access to that, not even under freedom of information. That's the problem I have with it, but I will be supporting the motion.

Mr Callahan: That was a concern I had. I gather, Ms Jamieson, that you're anticipating that if this is filed with the Board of Internal Economy, it will remain with the Board of Internal Economy, that it will not become a public document.

Ms Jamieson: I don't know. The Board of Internal Economy will do with it as it sees fit, but normally it doesn't sort of publish its—Jim might know better than I would.

Mr Callahan: Let me give you a scenario. This is totally hypothetical and I'm sure it will not happen, but let's say the auditor's report is highly critical of the Office of the Ombudsman, for financial or whatever reasons—financial would be the major one that would concern this committee—and it's filed with the Board of Internal Economy and the government of the day, of whatever political stripe, which I understand has the majority of members on the Board of Internal Economy, decides: "Hey, we don't want this out. We'll just keep it back." Where does the accountability come from?

You say you're concerned. I indicated earlier that I share your concern about the independence of the Ombudsman's office, but at the same time, by putting it in the hands of the Board of Internal Economy, I think you may win perceptually the battle that you're independent, but in actuality, I think it would be perceived by the public, particularly in that scenario—I don't think that will happen, but if that did happen, that would be the bombshell that would destroy the totality of the Ombudsman's office.

Ms Jamieson: It's hard to figure out hypotheticals. During the time I have been the Ombudsman, we've done three audits. The three audits have been unqualified. There are no recommendations there. I can say that in all honesty. They've been fine audits. I've no reason to believe this one is going to be bad. I hope we'll learn something and—

Mr Callahan: I'm not suggesting it will be. Don't get me wrong. I'm not suggesting that's the case. I'm just saying that somewhere down the line, what we're doing now today for you as Ombudsman will be done as a precedent that will continue for other ombudsmen unless there's legislation that changes it. In fact, who knows what your successor—God forbid, but it could happen.

My major concern is that this committee is a watchdog of the taxpayers' money—as I said at the beginning, and I'm not going to repeat it—and I think we run the risk if we do that. That's my major concern. For that reason, I'm going to vote against the motion.

Ms Jamieson: Could I just say one other thing, Mr Chair?

The Chair: Please go ahead.

Ms Jamieson: We all spend taxpayers' money, everybody: all members, all committees, all officers, I do. Legislatures try to figure out a way to make us all accountable. So they set

up this committee to say, "Here, you're the watchdog on government expenditures." They set up the Board of Internal Economy to say, "You're the watchdog on Legislature expenditures, including the officers and committees." That's where the issues go, that's where the budgets go, that's where the estimates reports are and so on.

My concern is that if you say no, the officers or the Ombudsman have to come and relate solely to the public accounts committee. First of all, that's not in line with the current understanding with the board. Second, that says, "Ombudsman, you're like a ministry, you're like a deputy, and we're going to treat you that way." It seems to me that's very different than what the Legislature had in mind at the time it created these two streams, these two ways of dealing with accountability for taxpayers' dollars.

I don't know that we'll resolve that today. That's why I hope this accommodation will allow us to do the job we all want to do and not prejudge anything.

Mr Duignan: Could I have a point of clarification? Actually, the act states that you have to file the audit report with the Board of Internal Economy.

Ms Jamieson: It does not.

Mr Duignan: Are you talking about section 11 of the Ombudsman Act?

Ms Jamieson: The Ombudsman Act obliges the auditor, as I said earlier, to do an annual audit.

1540

Mr Duignan: But section 11 of the Ombudsman Act states: "The Ombudsman shall report annually upon the affairs of the Ombudsman's Office to the Speaker of the Assembly, who shall cause the report to be laid before the assembly if it is in session or, if not, at the next session." Is that the section you're talking about?

Ms Jamieson: For the purposes of the audit, are you saying?

Mr Duignan: Yes.

Ms Jamieson: Section 11 says that the audit must be conducted annually by the Provincial Auditor.

Mr Duignan: That's section 10.

Mr Jamieson: I'm sorry, it's section 10 now; I have an old act. Section 11 requires me to table an annual report with the Speaker. What I have said is that the office has not been called upon to table its audit, but this year in my annual report I fully intend to do that, as well as tabling with the board, if you accept this proposal, the value-for-money audit.

Mr Duignan: So you would be tabling with the Speaker of the House, who will table in the assembly the report of the auditor and the value-for-money audit.

Ms Jamieson: No.

The Chair: I think I have a suggestion as to how we can resolve the difference that has now arisen.

Mr Cordiano: Before you do that, I would like to have a few comments of my own, because I don't believe this is resolvable by any compromise. I think what we're dealing with here is a fundamental question, and here is my fundamental question: Either this committee—

Mr Farnan: Mr Chair, I would certainly like to hear your suggestion.

Mr Cordiano: I'm sorry, I have the floor.

Mr Farnan: I know Mr Cordiano has views—

Mr Cordiano: Can I finish?

Mr Farnan: —and I would like to get to them, but I would like people to be speaking now who are going to help resolve the impasse, and if you have an idea, I think the committee would want to hear it.

Mr Cordiano: But it's on the matter that was put before the committee with respect to an accommodation. I don't believe that's accomplishable.

Mr Farnan: You've told us that six times already, Mr Cordiano. What we're looking for are people with solutions rather than objections.

Mr Cordiano: Mr Chairman, you're either going to determine the speaking order or you're not. You're the Chair, so you decide it.

The Chair: Usually I reserve some time for myself when all the members have concluded. I think I'll stick with that particular policy. It's worked the best. Mr Cordiano.

Mr Cordiano: Thank you. I just want to reiterate, and again I am reiterating. This is not for the Ombudsman. It's more to do with the role of this committee, so it's not to do with us coming up against the Office of the Ombudsman in some sort of macho showdown. It's not this kind of a question. It's really the question of how this committee operates within the parameters of this Legislature and the independence of this committee, because this is fundamentally what we're trying to determine here.

Either the auditor has authority, under section 17 of the Audit Act, to conduct a special audit of any office, any agency, any crown agency, any part of the government or bodies related to the government or he does not. I think we have to determine that. I believe he does. I believe the auditor does have that authority under section 17, including the Ombudsman's office, including the Conflict of Interest Commissioner, including any other officer under the purview of the Legislative Assembly.

I'm going to give you an opportunity to respond to that, but I think that's really the fundamental question for this committee to answer. If in fact we do not believe that, then the Ombudsman is correct and we're really chasing our tails here. The Ombudsman's independence and her view that she is directly accountable to the Legislative Assembly through Internal Economy or the government itself may be upheld, in which case this committee does not have authority to do those kinds of audits, not for the Ombudsman's office, not for any other office, if they so choose to determine that that is the case.

Mr Peters: If I may address this issue for a moment, the motion as it was made and, as my understanding is, the compromise that was made, in my opinion does not muzzle my office, does not impair the independence of the Office of the Provincial Auditor, because nothing in the motion would prevent me—if we found something terribly wrong, and I doubt whether there is, we would have to report that to Parliament. So in that regard we are not muzzled.

All we are acceding to is the authority of this committee to redirect, and there's precedent for that, the primary reporting purpose. There will be, firstly, the report on the annual audit, which would go the normal course as prescribed in the Ombudsman Act, and the report on the value-for-money will be tabled as proposed by the Ombudsman. I can give the assurance to the committee that I do not feel muzzled if we were to determine—and the Ombudsman would be the first person to know about this. If we feel obligated that one of our findings has to be reported to this committee and to Parliament, that is a duty of my office that I cannot relinquish and therefore I will follow that particular duty.

Mr Cordiano: I understand that. I just want to respond to that. I think the point I was trying to make was that this committee then does not have any authority. You would act entirely independently, and the directions we might give you you may accede to from time to time as you see fit, that that's the interpretation we're following.

I was under the impression that this committee could, in conjunction with and in cooperation with your office, commit to these kinds of special audits under section 17 and therefore, working with the committee, you would move in that direction. It would also be my understanding that as a committee we would determine that we want these kinds of reports to be dealt with by this committee. If that's not the case, then we should determine that as a precedent for this committee as well. Perhaps that was done in the past, but all I'm saying is that I'm not prepared to do that in the future.

Mr Peters: May I speak to that point? When I say "speaking to Parliament," under the standing instructions right now, it is this committee that is the recipient of our report, so that is the technical issue.

The second particular issue—and I may give you a little bit of comfort here—is that there are precedents for this. I give you an example at the federal level which is occurring, where the standing committee on public accounts, for example, has decided that all matters relating to the Canadian Broadcasting Corp will be handled by the standing committee on communications and culture, even the matters that normally come before that committee. That is, for example, one precedent that might give you a little bit more comfort in this, and it is to safeguard the independence of the CBC from becoming the state radio.

We have a proposal along those lines that I'm relatively comfortable with, in as much as here we have you, as a committee, giving the authority to direct the report. It is not muzzling at all the annual audit. It is just that you have given us—that's my office—a special assignment to do a value-for-money audit.

Mr Cordiano: That's what we're dealing with, though, is a special audit.

Mr Peters: That's right.

Mr Cordiano: That's what we've requested the auditor to conduct under section 17, not the annual audit, not to be mistaken with the annual audit. What we're talking about is, under section 17, a special audit, which was initiated by this committee giving you direction to do that. Essentially, that's been the gist of my comments directed in that regard. I think

we have to distinguish that, because we're getting a lot of misunderstanding about what it is we're dealing with.

The Chair: I'll allow the Ombudsman to make a final comment. Then I have a comment of my own and then we're going to deal with the motion.

Ms Jamieson: I am trying to work very hard, and I thought long and hard about this meeting before I came, about a way we can work together to preserve the health of the Office of the Ombudsman, that you've got a vigorous Ombudsman, that we can reassure the public that they can have trust and confidence in my office to do a job independent of government. The more you treat the office like government the less the public will trust that I'm apart from government. That's one of the fundamental truths. The more government treats the Ombudsman like government, the less it's willing to open itself to scrutiny of its actions. That's a fundamental truth of my office. I'm trying really hard to find an accommodation. I'm really looking at the committee and saying, will you work with me to find a way so the value-for-money audit can be done that will still preserve the role of the committee but also the independence of the office and the trust in the office?

I think the accommodation I've put forward accomplishes the ultimate objective. I'm not resisting the value-for-money audit. I'm saying, let's do it. I'll invite the auditor in. Let's do it. It's not being kept from the Legislature. It's going to the Legislature, but in the way I deal with the Legislature on financial issues, through the Speaker and the Board of Internal Economy.

The goal, it seems to me, is being achieved, and I'm trying really hard to see what's wrong with that accommodation, because I think it achieves it and I don't think it pre-judges any of the other questions that are there. There's no question about it, there are other issues there, but I think this one doesn't call for anyone to make a final decision on the other issues.

1550

The Chair: Just in conclusion, and recalling the debate that took place some months ago, my sympathies probably lie with the belief held by Mr Cordiano and Ms Haeck that we do in fact have the authority to ask for a special audit. I'm concerned when the only time we can get a special audit appears to be when the recipient of the audit is in agreement with such a special audit.

However, having stated my personal concern, my job as Chair is to try to come to a consensus that the committee will deal with either by vote or by deferment or by some other manner. After listening to all members of the committee, I see the committee reaching for a compromise with the Ombudsman, and the stumbling point in reaching this compromise is, what happens to the auditor's report after it's tabled with the Speaker, who is chair of the Board of Internal Economy?

I would suggest that we amend the motion whereby we suggest or instruct the Speaker that after he receives the report, he table it in the Legislature. That in itself would satisfy all of the points made by the Ombudsman and then it would satisfy the points made by the members who are very concerned that the report may in fact stay within the offices and

confines of the Board of Internal Economy and never see the light of day.

The way the motion reads now is as follows:

"That the standing committee on public accounts direct the Provincial Auditor to conduct the value-for-money audit of the Office of the Ombudsman during his next regular financial audit of the Office of the Ombudsman and that this report will not be tabled with the standing committee, but the Ombudsman will table the report with the chair of the Board of Internal Economy within 30 days of receiving the report from the Provincial Auditor."

That's the way the motion reads now after consultation with the committee and the clerk. My suggestion would be to add that within a further 30 days the chair of the Board of Internal Economy table the report received in the Legislature. We'll go around.

Mrs Marland: Well, Mr Chairman, I think—and I say this with respect to an old friend and colleague—

Mr Callahan: Is that me?

The Chair: No, you're too old, Bob.

Mrs Marland: That's the Chairman. I can't ever really remember disagreeing so strongly with you, Mr Chairman, but you see, the caveat that you're now adding defeats the whole purpose of my original motion.

To tell you the truth, sitting here I'm trying to remember, what is the average annual budget of your office?

Ms Jamieson: At my office?

Mrs Marland: Is it three and a half million or so?

The Chair: It's eight or ten.

Ms Jamieson: It's about nine and a half.

Mrs Marland: You see, the point is that as far as I'm concerned, if we really want to protect these special officers of the Legislative Assembly, which happen to include the Ombudsman, if we really want them to be apart from government, then I'm—

Mr Cordiano: Apart from everything.

Mrs Marland: Look, I didn't interrupt you, Joe, when you were speaking.

Mr Cordiano: I'm sorry. I apologize.

Mrs Marland: Of paramount importance to the Ombudsman and to every one of those offices of the assembly is the function of their office, the credibility of their office in the eyes of the public. Now the credibility of the office in the eyes of the public certainly revolves around whether or not they're wasting money. If they are wasting money, the public needs to know.

I was very impressed actually by the way Mr Peters worded it a few minutes ago, because he said that if there was something that was of major concern, or whatever his words were, he would bring that to the attention of the assembly. So either we don't have any faith in the system as it exists or we have to change it for all the officers of the assembly.

Now, if I don't have any faith in the Provincial Auditor, I can tell you, I'm in big trouble, and I think all of us are, because not one of us is going to be in a position to follow the Provincial Auditor around anywhere. Are we going to start doing their job? Are we going to say, "Let's follow the Pro-

vincial Auditor into the government, into the ministries and certainly into these offices of the Legislative Assembly"? That isn't what any of us are saying, because that's absolute nonsense.

But we can't go halfway down this road to destroy the independence and the integrity of these offices that are apart from government. Therefore, if we really believe in the trust and the faith of the public to know that when they go to the Ombudsman or they go the conflict commissioner, they're not talking to somebody who is listening with the other ear to the government—they have to know that, and the only way they can know that is if they have the assurance of the value-for-money audit conducted by the auditor.

That, I would hope, is an ironclad assurance, or else we've got problems with the auditor. If that takes place and we have his assurance that if there's a problem, we will know about it—but if we turn around and then say that within 30 days afterwards, we file this report for the public, then we might as well file it with them in the first place for the public.

I just don't see the necessity to do that, and I see a lot of disadvantage to the people of this province if that is done. We might as well forget about their independence.

The Chair: I'm only going to make one comment, that I'm going to be quiet and I'm only going to allow one more speaker from each party. I had noted Mr Farnan and I apologize to the other members, but we have had lengthy debate.

Mr Farnan: Are you making a statement first?

The Chair: No, go ahead. I'll just hold my comments.

Mr Farnan: I believe, Mr Chair, that your motion destroys the carefully balanced compromise presented by the Ombudsman and incorporated in Mrs Marland's motion. As we've said before, this particular compromise does the two things that I think we all want to do and that the Ombudsman has agreed she endorses and supports. She wants to have this value audit take place. She wants the integrity of her office to remain intact and to be perceived as remaining intact. Very clearly, the dividing line comes to the reporting system.

Mrs Marland has incorporated the intent of the Ombudsman's compromise within her motion. Your amendment, Mr Chair, much as I admire your direction as Chairman, destroys the intent of that compromise. So I will be voting in favour of Mrs Marland's motion, voting against your amendment and asking all members of the committee to seize this opportunity for constructive progress and a reaffirmation of the independence of the role of Ombudsman.

The Chair: I appreciate the comments. It wasn't an amendment; it was a suggestion. I was trying to get some consensus in the committee to agree to. The suggestion I made was that at the end of Mrs Marland's motion, we add the words that the chair of the Board of Internal Economy, who is the Speaker, would then table the report, the special audit, with the members of the Legislature or in the Legislature within 30 days, basically those words.

I thought that would bridge the two views that we have here in the committee. Obviously it's not going to. We have had a full and thorough discussion, so I'm going to ask members to prepare themselves for a vote. Ms Haeck, we're going to vote on Mrs Marland's motion.

Mr Callahan: Do I understand that the auditor has indicated that if my hypothetical took place, he would report that matter? He wouldn't feel compelled by this not to report that matter independently?

Mr Peters: We would be muzzled.

Mr Callahan: All right, fine.

1600

Mr Duignan: On a point, Mr Chair, very briefly. Members got a copy of a letter to the Chair dated December 8, with proposed changes to the Audit Act. Some of the concerns the members have raised here today have been addressed in the summary of some major changes to that act such as reporting requirements no longer being prescribed by the Audit Act; instead the auditor would determine what audit findings are significant enough to be reported. There are a number of other features in there as well. It was handed out yesterday, so maybe if members had a look at that particular—

The Chair: I appreciate that and I also appreciate what the auditor has stated. I just don't know what's worse: to release the report or have everybody speculate that it should have been released.

Anyway, the motion made by Mrs Marland—

Mrs MacKinnon: Mr Chairman, could you read the motion again, please?

The Chair: Yes, right away.

"That the standing committee on public accounts direct the Provincial Auditor to conduct the value-for-money audit of the Office of the Ombudsman during his next regular financial audit of the Office of the Ombudsman and that this report will not be tabled with the standing committee but the Ombudsman will table the report with the chair of the Board of Internal Economy within 30 days of receiving the report from the Provincial Auditor."

All in favour of Mrs Marland's motion?

Mrs Marland: A recorded vote.

The Chair: A recorded vote.

Ayes

Duignan, Farnan, Fletcher, MacKinnon, Marland, Tilson.

The Chair: All opposed?

Nays

Callahan, Cordiano, Haack.

The Chair: The motion is carried. Do you have any final words?

Ms Jamieson: Just to say that I've saved the best for last. I want to introduce Michael Taylor who is here with me, the new director of finance and administration from my office. He is a dynamite catch, as I've found already. Only to say also that I am very pleased that we've been able to reach an accommodation that I think will strengthen the relationship between my office and this Legislature that respects the health and independence of the office and that will still see the public get the answers it's entitled to. Thank you very much for the invitation and the meeting.

The Chair: The committee will resume its hearings tomorrow morning at 10 am in committee room—

Mr Tilson: Mr Chairman, there's a notice of motion or a motion. If you'd prefer to deal with that tomorrow morning—

The Chair: No, let's deal with it now because tomorrow we'll be short of time.

Mr Tilson: You have my only copy, Mr Chairman.

The Chair: Mr Tilson has moved, be it resolved that the Minister of Housing shall appear before the standing committee on public accounts during its consideration of the Provincial Auditor's report on non-profit housing.

Mr Tilson, would you like to explain the reason for your motion?

Mr Tilson: The reason is that there are very serious comments made in the Provincial Auditor's report concerning the government's policy of non-profit housing and the presentation of the development of the non-profit housing philosophy and I feel it's imperative that the Minister of Housing attend and discuss with the committee her thoughts on the auditor's report and that whole subject.

I realize the minister is very busy and I see from the agenda we're discussing that in March, I believe—am I correct?—early part of March, and it is for that reason that I wanted the committee to put that invitation to the minister so that she would have sufficient time to block off to come to this committee.

The Chair: Does she have to attend the entire day or the whole hearing, just maybe a morning or something?

Mr Tilson: No. Hopefully we could accommodate her.

The Chair: In a couple of hours. Is there consensus? All in favour? Carried. Let's extend the minister an invitation to the committee.

Mr Duignan: I wanted to make a comment before we took a vote on that.

The Chair: Everybody was nodding in the affirmative, but go ahead.

Mr Duignan: I think the question of Mr Tilson's motion should be referred for discussion to the subcommittee, which is meeting on Thursday morning, because there may be other people who, for example, our side would like to have appear at the committee as well, and maybe a list of witnesses could come as a recommendation from the subcommittee to this committee.

Mr Tilson: I have no problem if the government wishes to have other people attend. The purpose was that, realizing the busy schedule of the minister, she would be able to block off that time, or some time during the—

Mr Callahan: Why don't you give her a call?

The Chair: Anybody else?

Mr Farnan: I think, just speaking in terms of practical reality, the minister may or may not be able to attend. Obviously the minister or her delegate to appear before the committee would appear to me a more reasonable request. I think what should happen is that the subcommittee should get together, make a list and then work on it, but I do believe it would be reasonable and fair to suggest that the minister or her delegate appear before the committee.

Mr Tilson: Mr Chairman, I have no problem with this going to the subcommittee.

The Chair: Yes, it's going to have to be resolved there.

Mr Tilson: My purpose was to give her plenty of notice.

The Chair: The matter will be resolved at the subcommittee. Ms Haeck.

Ms Haeck: I'm wondering if, as a result of the motion that just passed relating to the Ombudsman, we could have maybe five minutes in camera to put forward at least one concern on behalf of the Ombudsman committee and possibly put forward another motion which may expedite getting some of the information from the auditor's report.

The Chair: I don't see any objections.

Ms Haeck: It wouldn't take very much time.

Mr Farnan: I don't see any point in pursuing this. We've decided on a process.

Ms Haeck: Let me be blunt. I was going to put forward a motion that we try to get a note in, possibly either to the Speaker, or particularly to the Speaker, about the distribution of that report to the committee, so in fact it wouldn't languish there as some things do. I understand that a lot of those things are a matter of public record, but at least to be advised as to when in fact that report was submitted.

The Chair: I'm not going to allow a debate on that. We had two hours of debate on that subject. Every conceivable alternative was put forward. Even my most reasonable alter-

native was blown out of the water by two of my old friends and colleagues, and I'll know better than to acknowledge them the next time around. I'm just teasing.

I have great sympathy for what you're saying, I really do, and I think you know by the comments I made just how sympathetic I am with your views on this matter, but to reopen the whole thing all over again would just lead us back—

Ms Haeck: I don't want to reopen it. I was just wondering if as a committee there could be a small request made of the BOIE to let us know when the report has been submitted.

The Chair: I'll ask the committee if there's consensus to discuss that point in camera, if you wish to do so.

Mr Cordiano: There obviously isn't, so let's not waste time.

Ms Haeck: At least you know it's out there, and I think you have a chance to follow up on it.

Mrs Marland: Do you know that the Legislative Assembly committee, which is really the committee of the Speaker, is going to be looking at where all of these reports go? It's a subject that is going to be reviewed anyway, and you have a member on the Board of Internal Economy.

The Chair: Seeing no further business, the committee is adjourned until 10 am tomorrow in room 151.

The committee adjourned at 1609.

CONTENTS

Tuesday 12 January 1993

Workers' Compensation Board	P-221
Brian King, vice-chair, administration	
Linda Angove, board secretary and project director, long-term facilities strategy	
Edmund Smith, legal counsel	
Office of the Ombudsman	P-240
Roberta Jamieson, Ombudsman	

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- ***Chair / Président:** Mancini, Remo (Essex South/-Sud L)
- ***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
- *Callahan, Robert V. (Brampton South/-Sud L)
Cousens, W. Donald (Markham PC)
- *Duignan, Noel (Halton North/-Nord ND)
Frankford, Robert (Scarborough East/-Est ND)
- *Haeck, Christel (St Catharines-Brock ND)
- *Hayes, Pat (Essex-Kent ND)
Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
O'Connor, Larry (Durham-York ND)
Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

*In attendance / présents

Substitutions present / Membres remplaçants présents:

Farnan, Mike (Cambridge ND) for Mr Frankford
Fletcher, Derek (Guelph ND) for Mr Johnson
MacKinnon, Ellen (Lambton ND) for Mr O'Connor
Marland, Margaret (Mississauga South/-Sud PC) for Mr Cousens

Also taking part / Autres participants et participantes:

Offer, Steven (Mississauga North/-Nord L)
Otterman, Jim F., Assistant Provincial Auditor
Peters, Erik, Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



P-19

P-19

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Legislative Assembly of Ontario

Second Intersession, 35th Parliament

Official Report of Debates (Hansard)

Wednesday 13 January 1993

Standing committee on public accounts

Review of audit on Office
of the Registrar General

Chair: Remo Mancini
Clerk: Tannis Manikel

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Mercredi 13 janvier 1993

Comité permanent des comptes publics

Révision de la vérification du
Bureau du registraire général

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

Index inquiries

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Renseignements sur l'index

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday 13 January 1992

The committee met in closed session in room 151.

1101

REVIEW OF AUDIT ON OFFICE OF THE REGISTRAR GENERAL

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. The committee has set aside the rest of this morning and this afternoon to review the operations of the office of the registrar general within the Ministry of Consumer and Commercial Relations.

Some weeks ago, members of the committee had decided that this matter was of urgent public concern due to the number of inquiries being received in constituency offices of members because it had appeared and in fact was so difficult to get certain documentation from the office of the registrar general.

The Office of the Provincial Auditor has in fact done some work. The committee has reviewed the work of the Provincial Auditor and we've invited officials from the ministry and from the office of the registrar general to appear before the committee this morning. It's our hope that we can get some answers to the questions the members have received and find out at what stage the office is as far as clearing up whatever backlog may have existed is concerned.

I would ask our witnesses to introduce themselves and then we'll turn the committee over to the members for questions. We'll allow you to make an opening statement, of course, if you have something to tell the committee.

Mr Art Daniels: Thank you very much, Mr Chairman. My name is Art Daniels. I'm the assistant deputy minister of the registration division of the Ministry of Consumer and Commercial Relations.

Mr Ted Kelly: My name is Ted Kelly and I'm the deputy registrar general.

The Chair: Mr Cordiano, do you have a point of order?

Mr Joseph Cordiano (Lawrence): No. I just wanted to know if you were taking names for—

The Chair: Yes, we're taking names.

Mr Daniels, do you or Mr Kelly have an opening statement?

Mr Daniels: We've received the report, we've reviewed it and I think the report puts before the committee in fair detail the backlog and the approach we took to reduce it, the efforts we've made to turn it around, the success we've had and continue to have. I have just one small opening statement about the move and some of the things we accomplished. I thank the auditor for putting them in, but I think it's worth all people understanding about the move and that things we accomplished in the move.

The Chair: You're talking about the move from Toronto to Thunder Bay.

Mr Daniels: We used it as an opportunity to create what we call a model organization or a model office, an office where

the programs and writings of professionals across the business community we're talking about—one of them was employment equity. When we first announced the move in 1987-88, our existing staff in Toronto indicated they would not be relocating in any large number. In fact, only six staff indicated any interest in going from Toronto to Thunder Bay. That meant we'd have to have an entirely new workplace and that would create an opportunity for employment in Thunder Bay.

We took that opportunity to work with the people in Thunder Bay, with the community to provide employment for those people who would not necessarily get a fair or good crack at government employment. We worked with the disabled community, first nations peoples, Franco-Ontarians and sole-support parents on welfare and gave them an opportunity to participate in the planning of the organization and to be part of the early recruitment.

I'm really pleased with the results as we stand back a year after we moved. Those staff are still there. As the report of the Provincial Auditor will indicate, they are more productive than the staff we had in Toronto. They've stabilized their lives, they have jobs and, for the people of Ontario, particularly the people of Thunder Bay, that is an annual saving to the taxpayer of \$1 million in welfare costs of people who were taken from social assistance. They were provided life-skills training and then work skills. Remember, you're talking about people getting a job for the very first time and we're very proud of that.

The other thing we did in establishing a model office in Thunder Bay was we looked to an organization that would be democratic, an organization without hierarchy, where people are treated equally by pay and compensation. All the front-line staff, what we call customer-service staff or team representatives, are all classified in the same job. They rotate through the various functions. In the Toronto office there were 43 separate job descriptions and people were paid 23 different ways. In Thunder Bay there are three basic jobs. There's the deputy registrar general, the director of the branch, Ted Kelly, there's a layer of team leaders, team managers, and then everybody else. It's a very democratic organization and they work in teams. So that's something else that was quite innovative.

The third innovation was to begin to move to a paperless office, from a reliance on paper, on files that would take up 8,000 square feet of space. We converted these files from paper to digital image. Just to give you an idea of just how much paper that is, if you stacked a 10-foot pile of our books and papers it would go down University Avenue to the lake. That's just how much paper.

We then took that paper and again we used it as an opportunity, in converting from paper to digital, to provide employment for disadvantaged people. We worked with Goodwill Industries of Toronto. They provided us excellent staff. Over 86 people worked for eight months converting the paper to

image. From our original estimate of \$3 million, we brought it in for \$1 million. Again, those people working for Goodwill were all off welfare and that saved the taxpayer another \$700,000 in off-welfare costs.

So prior to the move and as part of the move, we wanted to make it a model. As the report indicates, we had some workload problems as people without experience—and there's a wonderful graphic in the auditor's report that I think tells the whole story. You had an average work experience here in Toronto of 12 years per employee, so there were a lot of 20-year and 30-year employees. We arrived in Thunder Bay with just six staff; your experience average is almost at zero and the productivity declined along with that, as the auditor's report shows. But then, as they gained experience in this past year, their performance and productivity exceeded the performance and productivity prior to the move of the experienced staff.

I think that's the story, but in that trough of time we did develop backlogs and I think we saw patience on the part of many people. We asked for patience and I think that patience has paid off in what I think is a model organization with excellent, excellent staff.

You'll find, if you tour it, there are people, like Brian Sullivan, who are quadriplegics, there are people who are visually impaired, people who are hearing impaired, people in wheelchairs and first nations people all working together in a model workplace, working with technology that lets them use images, applications to the software that allow people without use of hands or arms to work with computers. It's all there for everybody to see, a living example of employment equity, of democratic organization and I think we have a lot to be proud of right now.

The Chair: Thank you for your opening comments. We'll start with the 10-minute rotation: Mr Cordiano, then Mr Callahan and then Mr Sorbara.

1110

Mr Cordiano: I want to start off by saying that I would like to commend you for having achieved the goals that you have set for yourself with respect to making this a model of employment: the move to Thunder Bay and the office that now exists in Thunder Bay, a model office which can be utilized perhaps by other departments in the government. However, that's really not the issue before us.

I think the issue before us is, if that objective was the singular objective that was to be achieved, at what cost was that achieved and was it really the only priority? As far as members of the Legislature are concerned—and I think these priorities are not mutually exclusive—we could have actually achieved what you achieved without having had the disruptions and the dislocation of services and delays which caused, I think, some serious consequences for a number of people on the other side of the equation.

That's really the focus of this inquiry, because we all knew that relocation was going to take place. I think most people supported it, for a variety of reasons. The initiatives of the former government to have offices of the government spread out throughout the province, and therefore create job opportunities for others in regions of the province, was one of those objectives. But I think the consequence of dislocation

and this disruption and the delays that occurred to service this, which were vital in a lot of instances—and I'm about to talk about that in just a moment—was not the intention.

Therefore, I would have to say that on that basis, we did not have a successful relocation and that the complement, actually, with respect to the workforce and the overall turnover was quite high. You had very few experienced staff who decided to move to Thunder Bay, and that certainly was a major problem. It might have been foreseen and therefore steps taken to have some experienced staff move at least temporarily for that transitional period so that these disruptions and this backlog that is now present would not have been created.

The concern I have is for those people who were waiting for adoptions. I had pointed out in the Legislature some time ago that there were 600 outstanding requests for verification of live births, some, I note here, looking back at Hansard, going back as far as February 1990. Some 89 adoptions were delayed due to major problems with documentation being received from the office of the registrar general. This is reported from children's aid societies across the province. They indicated that these were serious delays. Some delays cost from six months to two years, and therefore disrupted the whole adoption procedure that was about to unfold for them. That's quite serious, I think, in respect to those people who were waiting for adoptions to take place. So I think there were some serious consequences as a result of the transition, and I think not all that took place was satisfactory.

Mr Daniels: First of all, let me reply to the training plan, and then I'd like to address the area of the children's aid societies.

As you recommended and as you suggested, we did bring with us for that transition period 25 staff from Toronto who were not going to relocate with us to Thunder Bay who would be training the new staff. So it was planned not just to use the six people who relocated but to supplement them with 25 additional staff with experience. They did locate to Thunder Bay and provide that training.

But we're training such a large workforce and the backlogs accelerated at that period of time. When people began to inquire, everything accelerated. So the staff we had relocated to Thunder Bay, who were going to be basically the buddy training system, found themselves not just training but trying to help us maintain the workload and keep the backlog at bay. We didn't have the luxury of an even work flow. That meant the people who were going to do the training had to supplement the regular work, and that created the problem. But we had the exact concept you just mentioned, Mr Cordiano, that we would bring up the staff who had worked in Toronto for—

Mr Cordiano: Not enough of them, though.

Mr Daniels: Twenty-four of them for six months and we extended that time till September, and then we supplemented those with summer students. We supplemented the staff that summer with summer employment and with additional contract staff in Thunder Bay and we were able to push the backlog back by October 1991. Then expenditure reduction required us to pull back, and then it builds up again.

Mr Cordiano: I see.

Mr Daniels: Do you want me to answer that question on children's aid, too? I think that is a good one and I'd like to bring you up to date. We had a memo on December 7, 1992, from the children's aid societies basically indicating that the backlog had been addressed and thanking us for our efforts, because we went around the province to 10 locations last spring and summer and met with children's aid societies, with genealogical societies, with the Canadian Bar Association and said: "Hey, we've got some backlog. How can we work together?"

We had a very collaborative approach—I think it was a fine approach—to go out and talk to our user groups to find out if there was anything we could do streamline activity. Now there are no backlogs at all in the children's aid area. We've addressed that, and we attacked it as soon as we were approached by Louise Leck and the people from the children's aid.

By the way, they attended most of the meetings. When we were in Niagara, the people from the Niagara children's aid were there; when we were in London or Windsor, the children's aid society would attend. It's been quite a collaborative effort. I'd just like to bring you up to date on that one as well.

The Chair: We have three minutes for two other members. We'll have a second round. How's that?

Mr Robert V. Callahan (Brampton South): I'd like to find out if you're able to comment on the scam that took place and was reported in the press, or is that still before the courts?

Mr Daniels: That is still before the courts.

The Chair: What scam was that?

Mr Callahan: That was where a couple of people working in the office of the registrar general are alleged to have secured the banknote paper that they issue birth certificates on and were using it to allow illegal immigrants to stay in Canada, to obtain health cards and driver's licences and almost everything else. Is that correct?

Mr Daniels: I'll let Ted comment on that, because it's a good question. I think the thing to comment on is how we've tightened up our security.

Mr Callahan: I'd like to know that.

Mr Daniels: I think that's more important, not that it's still before the courts but what we did to combat that.

Mr Kelly: To address that particular case, I can only say, as members are probably aware, that there was an incident uncovered where it was realized that there were employees within the office of the registrar general—

The Chair: This was in Thunder Bay?

Mr Kelly: No, this was in Toronto.

Mr Daniels: No, this was before they moved. It was just at the time they were moving.

Mr Kelly: This took place prior to the relocation to Thunder Bay, when it was necessary to employ large numbers of temporary staff. On investigation, certain members of this staff were found to have been misappropriating blank birth certificates. This was duly brought before the police agencies and an investigation was undertaken.

Mr Callahan: Excuse me. How accessible were those blank sheets to any employee in the ministry?

Mr Kelly: The documents themselves are accounted for totally in the same way as money. At that particular time, there was a process in place which was not adequate, obviously, to forestall this situation, but that has been corrected.

1120

Mr Callahan: I would presume that somebody preparing a birth certificate or a marriage certificate or any of these other documents would bring the stuff up on the imaging machine and then would feed one of these pieces of paper into the machine to prepare the document. Is that accurate?

Mr Kelly: It's not quite as simple as that. The birth certificate itself is printed through the utilization of the database system, which is quite separate from the imaging system, and so it is printed overnight automatically. It's not a direct print, though that can be done by certain individuals who are given that authority to be able to force a print.

Mr Callahan: But I guess what I'm asking is—

The Chair: We have time for only one short question by Mr Sorbara, but we'll come back.

Mr Gregory S. Sorbara (York Centre): I'll wait till the next round.

The Chair: Okay, we have one last question from Mr Callahan.

Mr Callahan: I guess what I'm asking is that all the people would have to, as a practical matter, have access to the type of bank paper that these various certificates are printed on in order that the process could proceed, and I presume that's still the same today. Otherwise, I have to assume that you've got only one person who can print these things up.

Mr Kelly: That's not quite correct. Perhaps the best way I could answer the question is that our procedures have been examined by various enforcement agencies and they have been assessed as being adequate, very similar to other jurisdictions, and are consistent with the recommendations that have been made to us by the RCMP, immigration authorities and the OPP.

Mr Callahan: All right. I'll come back to that in the next round.

The Chair: Mr Tilson, you have 10 minutes.

Mr David Tilson (Dufferin-Peel): I'd like to spend some time on that subject as well. The lawsuit is something else, but I think we need to be satisfied that the procedures are much better than they were, almost airtight if not airtight. You've indicated that the procedures have been examined by police agencies, I assume, enforcement agencies. Can you elaborate on that subject?

Mr Kelly: I don't think it would be helpful to go into the detail of the various protection mechanisms that we have to preserve the security, other than to say—

Mr Tilson: There are all kinds of things, whether we're talking about health cards or birth certificates. The public is getting rather cynical, not necessarily with respect to this subject, but the latest issue of course was with respect to health cards. The public is cynical and I think we, both politicians and bureaucrats, have an obligation to satisfy the public that

the systems the registrar general has are adequate to make sure that occurrence doesn't happen again. I think you have an obligation to tell us. I don't want to know the key or the secrets to the whole game, but you must be able to say something more than: "Trust me. We have agencies that have come and said that everything is okay."

Mr Kelly: I can say that we certainly share the concern, and we are concerned that we have adequate systems in place. With the occurrence that took place where the documents were misappropriated, the systems were thoroughly examined and looked at, not only by our internal staff but by police agencies.

Mr Tilson: What has been done to change what you did before?

Mr Kelly: It's a question of the access of individuals to blank documents.

Mr Tilson: How do you do that?

Mr Kelly: They're now controlled and audited regularly.

Mr Tilson: Who does that?

Mr Kelly: The managers who are responsible for the particular—they are accounted for as individual items.

Mr Daniels: Each certificate.

Mr Kelly: Each certificate.

Mr Daniels: It's all numerical, numbered, and issued in smaller quantities.

Mr Tilson: What was done before?

Mr Kelly: I wasn't with the office at the time and I don't have a clear understanding. I can certainly investigate and get back to the committee with the detail of how it took place, but I do know that the same approach could not be successful today.

Mr Tilson: Well, it's like pulling teeth here. I don't mean to be doing that. I need more than what you're telling us. Are you telling us that before, there were blank certificates that were issued, and now they're numbered? What are you telling us?

Mr Kelly: To familiarize, to some extent, the members of the committee, you should know that birth certificate documents utilize a type of paper which is specified by police agencies as the most effective type of material to guard against—

Mr Callahan: Banknote.

Mr Kelly: Yes, similar. But the idea is to prevent any counterfeiting of birth certificates.

Mr Tilson: So you're saying one area that you've done is that you've improved it by having a specific type of paper.

Mr Callahan: No, they had that before.

Mr Kelly: We had that before. These things are pre-printed and they are blank with respect to the detail of individual information that is then subsequently put on when we issue them. We have stocks of blank forms. Those blank forms are kept in a secure situation and issued to individuals who are specifically authorized to handle them, and they are accounted for as individual items.

Mr Tilson: Like pencils.

Mr Kelly: No.

Mr Daniels: More like money.

Mr Kelly: More like money.

Mr Tilson: Anything else that they've done to improve the system?

Mr Kelly: The particular situation that allowed this misappropriation to occur was really a question of how these forms were accounted for and how they were handled. That particular system was modified to ensure that it couldn't happen again.

Mr Tilson: How was it modified?

Mr Kelly: By more rigorous and strict accounting of the blank forms.

Mr Tilson: What was that? I'm cross-examining you, but surely you can tell me more without revealing confidential—

Mr Kelly: I think that's really the extent of the answer, Mr Tilson, that the methods used to account for the form obviously proved to be inadequate.

Mr Callahan: Point of order, Mr Chair: It's obvious that Mr Tilson is not getting answers to his questions because we are in open session. I would move that this is an issue of so much importance that perhaps we should move in camera so that they can answer those questions in a straight and forthright way. I understand their reasons for not wanting to do it. They don't want to let the people who are viewing this out there learn how to perhaps get back into the scam that was reported in the Star on May 19, 1991, where certificates were being issued all over the place and people were able to sell them for large amounts of money and get health certificates and everything else for illegal aliens.

The Chair: Mr Kelly, if we were to go into closed session, how much more enlightening and thorough would your answers be?

Mr Kelly: I think that if we want to get to the very specific detail of how the misappropriation occurred and what specific detail has been undertaken to insure against its recurrence, I'd really have to do some research and bring in some people who were involved with the investigation at the time.

1130

Mr Tilson: Mr Chairman, if I could speak to the point of order, I understand that there's a certain amount of confidentiality. Mr Callahan has raised the issue, but it was certainly one of the issues that I intended to raise, because we must be satisfied that this won't happen again, or at least that the chances have been reduced substantially that it will happen again. I mean, I sometimes wonder. Nothing is foolproof, but we must satisfy the people we represent that with the system we have, it would be most unlikely that this will happen again.

I believe that type of information should come forth in public session. If we've caught the delegation by surprise, I don't mean to do that either. If you need some more time to prepare something, maybe that could be done at another time. But I believe this issue is raised in this committee and needs to be pursued. If the delegation wishes more time to prepare something, that's fine too.

The Chair: The point of order by Mr Callahan suggests that we might want to go into closed session. I wasn't quite clear on your response to Mr Callahan's suggestion about going into closed session, Mr Tilson. Would you prefer that or would you prefer an open session?

Mr Tilson: So far, I haven't heard anything that leads me to believe that it needs to be taken into closed session. If anything, it means that they need more time to prepare an adequate response. I understand that too.

The Chair: Thank you. Mr Duignan.

Mr Noel Duignan (Halton North): We believe there's no need to go into private session.

The Chair: It's the view of the committee that there's no need to go into private session or closed session, Mr Callahan.

Mr Callahan: I'm just trying to help out Mr Tilson so we can get some answers.

The Chair: I appreciate your comments and I think it was worthwhile for the committee to discuss that point.

Mr Daniels: We're going to be back this afternoon. We'll bring the more detailed report without revealing—I think Mr Kelly is correct. People are interested in how to commit fraud and how it is committed and we don't need to assist people in that, but I think we can share with the committee the types of procedures we have tightened up in terms of issuing certificates to individual workers. Remember, this was done by inside staff in the system, not by a member of the public.

The Chair: It was an inside job.

Mr Daniels: It's a person who has breached trust. We called the police in and they put surveillance in there, and that person did breach the trust of the public. This is a public servant who takes an oath of office of secrecy, a person you have to trust. They were given some latitude in the area they worked in to issue certificates on a more timely basis than others. This is a special service for the members of this committee, actually, the MPP service.

The Chair: I think that's complete; that point is answered. The only very brief question I had—and I apologize for interrupting Mr Tilson to ask it—is about how many of these blank certificates were issued. How many of these illegal certificates were issued?

Mr Daniels: In terms of the number of certificates—

Mr Callahan: There were 300.

Mr Daniels: —there were 300 certificates unaccounted for. How many of those were issued, we would not know. What the individual would be doing is printing them himself or herself, depending on the individual involved. I don't want to reveal who it was. The person has access to the information of birth and death and then can create a certificate.

Mr Callahan: And the paper.

Mr Daniels: And the paper. You need all three things.

The Chair: Mr Tilson has about five minutes of his time remaining, if he wishes to use it. If not, we're going to move right along.

Mr Callahan: Could I just ask, if you're going to bring in what you're doing now, can you also bring in what you did before? I think Mr Tilson would agree that we need both of those: What was the situation before? What's the situation now?

Mr Tilson: What sort of security check do you have with respect to employees who are issuing these certificates?

Mr Daniels: Again it's not, as it was where I worked in corrections for many years, a sort of fingerprint documentation, but we do check previous work history, background etc, as any diligent employer would in terms of the previous work history, the experience, references from previous employers etc. It would not be as rigorous as, say, a policing function would be, to take your fingerprints and run them through CPIC, but we would check.

In the case of the individual we're talking about, the police indicated that a CPIC check would not have revealed any previous criminal record or anything, so it would not have been the response. I think an ordinary, diligent check of an individual's past performance, employment record and work history would tell you quite a bit, and that's what we do.

Mr Tilson: I guess then I ask this question: Having experienced this fraud, do you feel the regulations need to be expanded to enable the ministry to require more information from employees who are handling documents that are confidential and that could result in costing the taxpayer of the province and of the country substantial amounts of money?

Mr Daniels: I think a rigorous review of a previous work history and personal history would be enough. As I said, the detail that we gather on the individual would fill out all the blanks of a person's work history and personal history. The added rigour of a fingerprint report wouldn't have helped us in this case anyway, and I don't think would in the future. If people have blank parts of their work history, I think that's when you begin to question them and dig deeper. If they were in prison at that time or something, then you would know. But I'm saying I think the present process is satisfactory.

Mr Tilson: For this particular type of job, which does have great security—I'm thinking of people who work for banks, of people who work for—

Mr Daniels: It would be the same rigour as with people who work for banks. They're not fingerprinted, but their work histories are examined very carefully and their personal histories are examined through reference checks. I would think we put it through the same rigour as a bank or an insurance company would.

Mr Tilson: Mr Chairman, how much more time?

The Chair: One final question.

Mr Tilson: I must confess that the information that you've given me, when we have a scam such as this that's been perpetrated upon us, the very fact that it seems likely it may happen again simply because of the type of individual who might be attracted to this—I mean, what a wonderful way. The security system for finding out what their background is like may not be as adequate as perhaps it should be.

Mr Daniels: I think the key to it is you've got to go back to when it happened. It happened in the transitional period, when we were employing a contractual workforce. We are now again in a stable workforce with minimal turnover, people who are committed to their jobs. It's their livelihood; it's their life. They're not going to jeopardize their livelihood, their family's livelihood, their children's livelihood, by committing fraud. The money they would gain is pretty minimal. What you would have in this case, in this circumstance, is

somebody who didn't have a commitment to the Ontario government, somebody brought in to work temporarily.

Mr Tilson: If you have 300 birth certificates or more, you can have a substantial gain.

The Chair: Thank you very much. We're going to move along.

Interjection.

The Chair: Order, please. We have Mrs Haeck followed by Mr Fletcher, for 10 minutes.

Ms Christel Haeck (St Catharines-Brock): As someone who has been somewhat concerned about birth certificates and how they have been prepared and sent out to my office, I have to say that I am somewhat heartened by some of the things that are mentioned in this document. My staff tell me that the service generally has improved a great deal. We have at this point very few instances where there are problems, though we did have one just before Christmas. I know that we made your office aware of that particular concern.

What I am interested in, in looking at this document, is that there is mention of the phone service on page 8. It mentions that you have received as many as 30,000 telephone calls per day, that you have not necessarily been able to answer those and that you are in fact making some efforts, I guess, to test the telephone system. My question at this point is, what are the results of those tests and how are you able to deal with customer inquiries?

Mr Kelly: First of all, I should explain to the members of the committee what we have in respect of a telephone answering service. We have 16 lines coming into the office and we have eight full-time inquiry operators. We are able to identify every time there is an attempted call into our system. The figure that you see here when it says "Telephone calls" is attempted calls and does not represent callers.

1140

We have been able, through surveys of people who get through to us, to ascertain in a rough way the number of times on average that they have attempted to call the office, and we've found that it seems to be five or six. But what we're dealing with is to some extent the questionable benefits of technology where automatic diallers are built into a lot of systems and the number here reflects an overloading of the capacity we have.

We do have an automatic attendant through which the caller can obtain information. If they require to speak to someone beyond that general information, then they can punch through. The approach we've had to take here is to address the reasons for making the call in the first place, and that's what we're working on. We can't commit continued resources to responding to the inquiry.

These large numbers were reflective, we believe, of the backlog situation which did occur, where people were calling to ascertain the status of their request. These numbers have been very substantially reduced in recent months. We have also achieved some considerable gains in developing the abilities of our staff to effectively and efficiently handle the calls so that we've moved from what used to be a sort of average length of call of about eleven minutes down to an average of about three, which is pretty well an industry standard for this type of thing.

In summary, we are continuing to focus on this. We are looking at ways of reconfiguring the lines we have coming into Thunder Bay to make it more effective. It still represents a problem, people still have difficulty getting through to us, but we're making considerable progress in that regard.

Ms Haeck: I thank you for that because overall, as I said earlier, my office has experienced a great improvement in the service and I commend you for the efforts that you have made.

Mr Cordiano made mention of the fact that there was a backlog. In looking at page 5 of the very same report, close to the top, you're talking about the whole registration process. I think that most of us are not intimately aware of the various parties who have to participate in the registration of, say, a live birth and what in fact complicates the time factor or the delay in actually being able to get a birth certificate back to, say, a new mother to be able to apply for a health card. Possibly you could take a bit of time to explain the different people or facilities that are involved in the registration process.

Mr Kelly: I'll try to briefly cover a birth registration process. The process, as prescribed by the legislation, calls for the information to be rendered by the mother in the form of a statement of live birth. That is done from documentation which she receives at the hospital, together with whole piles of other information. Additionally, a doctor renders a document referred to as a medical certificate, colloquially termed the "doctor's card."

The doctor's card is forwarded by the hospital records office to a divisional registrar in the municipal clerk's office and the mother, at some point in time, forwards the statement of live birth. The division registrar is then required by the legislation to match up the two items to make his registration locally and then to pass on the documents to the office of the registrar general, where the registration process can then be completed. After that is done, then we can provide a certificate which is proof of registration.

The time taken here can vary considerably in terms of how quickly the hospital records office produces this, how quickly the divisional registrar, how long does it take for the mother to send in the statement of live birth, and in some cases they don't do it all; they are not compelled to do so. We would retain the initial representation if it came from the physician, the hospital, for a year, and if we have still not received a statement of live birth from the mother, then it would go into what is termed a delayed registration process, which is much more lengthy.

This of course causes us some concern because in recent years the demands on the office have changed in nature, where we have requests for birth certification of newborns within days of the event, for reasons of travel most frequently the case.

Mr Callahan: Health cards.

Mr Kelly: No, the health card is looked after separately.

The Chair: We don't have enough time to answer interjections. We've got to stick right with the questions.

Mr Derek Fletcher (Guelph): I'm fortunate enough that I was in Thunder Bay and I had a chance to visit the facility. It's a good facility and it's nice to see the employment equity plans right upfront, your employment programs.

As for the moving of facilities, could you have done it any differently, any better, been more prepared for what was happening as far as shifting people, then realizing only six of the original staff from Toronto were going? Could you have been more prepared? Could you have done anything different, in hindsight? Hindsight is 20-20. We all know that.

Mr Kelly: Yes. Like most things, hindsight is wonderfully clear. I don't think there's any doubt that, given the opportunity to do it again, the ministry would have done things differently. Certainly in retrospect it would have been preferable to have phased in the operation to some degree more than what it was. It was basically shut down in Toronto on a Friday and opened up in Thunder Bay on a Monday, and that was a difficult thing to achieve.

Mr Fletcher: Just one more point. As far as the operation of the present facility, as Ms Haec has already said, it's getting better. What are the ministry's plans, plus your own plans, as far as making the operation more efficient and customer service improvements?

Mr Kelly: Currently, we are able to provide turnaround service for a request that comes to Thunder Bay within two weeks. We've had it as low as five days, and that's for a service where we have the information complete and the required fee. We do have a quite considerable number of situations which I'll term exceptions, which arise because there is an inadequate amount of information, so that can be somewhat protracted.

We're attempting to revise various processes in our workstream. We've also identified a number of areas in the legislation where the prescribed procedure is just not conducive to efficient and effective processing. Through a consultative process with stakeholders—divisional registrars, physicians, lawyers, children's aid societies etc—we've identified a number of areas where we feel that we can make changes which will considerably improve this process even beyond what it is now, and more specifically, remove or reduce the number of exception handlings which we have. We hope to develop this as a legislative package which will be brought forth later this year.

The Chair: Okay, thank you. We'll start a second round of questioning. Mr Cordiano and Mr Callahan.

1150

Mr Callahan: Even alphabetically I'm ahead of him, Mr Chair.

Mr Cordiano: Go ahead. Just leave me some time, that's all I ask.

Mr Callahan: I thought I had asked.

The Chair: So did Mr Cordiano.

Mr Callahan: I'm making up this gracious—

The Chair: Order. I cannot have individual members make up the list for me; the Chair is making up the list. Mr Cordiano, you noted you wanted to speak; you're first on the list. Mr Callahan, you noted you wanted to speak; you're second on the list, and that's how the committee is going to run.

Mr Tilson: Another minute of their time gone.

The Chair: If we could please proceed.

Mr Cordiano: In the interest of saving time, I will proceed. Getting back to the point that was made about the allocation

of resources during the transitional period—and I note that there was a question just asked, would you have done things differently. But I think it's important to ask this question. If you had the opportunity to do things differently, you might have done things differently. But given whatever constraints might have been put before you, you probably could not have done things differently. To be more clear about this, what I'm trying to get at is, were you restricted in terms of the resources you had to work with in terms of the transition period in order to cope with this, or could you have added more people during that transitional period and in fact increased your costs with respect to that transition?

Mr Daniels: First of all, going back to the original plan, the original plan was obviously to transfer the staff the best way, but also at the most reasonable cost. That cost containment is always an issue. As Mr Kelly said, there could have been a pre-move and a transitional move, but that's very expensive. We went for what we colloquially call a "big bang": you close one place and you start in another. That way you're not having major overlapping, running two operations, one in Toronto and one in Thunder Bay.

It would be almost impossible for us to do that, because the technology wasn't in place to let us operate in Toronto and Thunder Bay simultaneously. We needed the imaging system so we could have a Toronto front counter and an office in Thunder Bay with all the records.

Mr Cordiano: Forgive me if I ask you this, but if you closed one office, I presume you had the other office ready to go operationally. The problem here was with staffing. You did not have enough staff to close that office in Toronto on Friday and start up on Monday in Thunder Bay with an acceptable level of service, because you simply did not have the staffing allotment that you needed to keep service going.

Mr Daniels: The staffing allotment that we predicted we needed was there. We had the core staff of 113. We had a supplemental staff of 24 contract employees.

Mr Cordiano: But you had all this training going on at the same time. You see, this is what I'm trying to get at. We simply could not have contemplated the level of service requirement which would predicate the need for additional staff, given that you were also training. So something suffers, and that suffering took place with respect to all of these services which were not being provided.

Mr Daniels: I think I was saying that earlier. We had our base staff and we supplemented with a training core, but that training core quickly became sucked into doing the regular day-to-day backlog work as the backlog grew.

Mr Cordiano: See, this is what I'm trying to get at. Sorry to interrupt you.

Mr Daniels: But we did add resources. From April to May we began to build this backlog. We then, in May 1991, brought in quite a large number of student labour. I think we brought in about 40 students in the summer of 1991. What we were trying to do there was just pick up all the unfiled paper and to begin to remove the backlog and get it organized so it could be attacked.

If any of you can just imagine 25,000 pieces of mail coming in and building up on you—you know that Federal Express commercial where the guy just gets squashed by

paper? We had to get that paper organized, and that's where we went with our student labour workforce through the summer, to do that.

In the summer of 1991 we supplemented our regular staff. We extended the training staff that had come from Toronto for a number of extra months and we added an agency in Thunder Bay that was good on data entry. We set up a special night shift because we were only operating at that point a single-shift operation. We doubled our staffing, so we were operating an 18-hour day.

Mr Cordiano: That's all fine and good.

The Chair: Leave some time for Mr Callahan.

Mr Cordiano: Okay. I just want to make one point.

Mr Daniels: It did put the backlog right back down again by October 1991.

Mr Cordiano: Fine, but during this time—all I'm trying to deal with here are consequences—the consequences were such that we had aggravated the service to the point where our constituents could not tolerate the delays that were being imposed on them.

All of us would have understood a certain amount of delay because of the transitional period that was required. I think most people in the public would accept that. But the delays became so intolerable that, therefore, we brought this question before us to be examined, because we really wanted to understand. Was it a case of having too much transitional period? Was it a case of not allocating enough resources? Was it a case of mismanagement? Was the government not allocating enough resources to do the job properly?

Mr Daniels: In that first summer we were able to allocate so many resources that I think at one point we had over 200 people working there. We would have attacked the backlog at that point, and we did. You can't have that kind of extra staffing for very long, so we removed it in October 1991, and again the backlog began to grow. But then we supplemented again. We started building a whole new scenario.

Mr Cordiano: You still have this huge backlog being created.

The Chair: Your time has expired. Mr Callahan, we'll get you on the next round.

Mr Callahan: We've completely run out of time for this round?

The Chair: For this round for the Liberal Party, yes, we have. Is there another way that the committee members can add more time to the clock after it expires? Can I be helped in this regard? If not, then I would expect cooperation from the committee members. Mr Tilson.

Mr Tilson: I'd like to talk about the quota system that has been implemented in Thunder Bay, and I'd like you to tell me a little bit more about it.

Mr Peters, I look at page 11 of the report and there's a reference with respect to employment equity, also known as the quota system, that has been implemented in the office of the registrar general in Thunder Bay. I assume that's what that is. It's described as "Figure 4, Employment Equity at March 31, 1992." It has aboriginal, 10.1%; physically challenged, 13.9%; francophone, 5.1%; racial minorities, 6.3%; and female, 81%. I don't know what all that means, because it adds

up to 116.4%. What does that mean? What does that figure 4 mean? Are those the people who are hired or is that the staffing complement in Thunder Bay?

Mr James R. McCarter: It could be two things. It could be a female francophone. Do you understand what I mean? If they hired a female francophone, it would be in the 81% and also in the—

Mr Tilson: No, my question is, what is figure 4? This adds up to 116.4%. Could you just tell me what figure 4 means?

Mr McCarter: The objective of the chart was to try to give an indication for the five targeted groups of the achievements or what happened against the employment equity targets.

Mr Tilson: I understand that. Do I assume, then, that this represents the employment staffing at Thunder Bay? Is that what this chart means?

Mr McCarter: I think just on the recruitment side. It was basically for the people they hired: "Here's what was achieved."

1200

Mr Tilson: So this is the staffing complement for people who were hired in Thunder Bay, is that what you're saying?

Mr Erik Peters: That is the recruitment. When they added staff, these were the so-called designated areas or recruitment areas where you'd like to hire from.

Mr Tilson: I understand that. Only six people came from Toronto and the rest were hired from Thunder Bay. Does this represent the staffing complement of who was hired in Thunder Bay? Is that what this chart means?

Mr Peters: That's right.

Mr Tilson: All right, then I understand that. Mr Daniels, do I assume that if you don't fit into this chart you don't get hired?

Mr Daniels: No, not at all. In fact, as the Provincial Auditor was saying, there's a number of people who could be in three or four categories—in fact, there are—and they will add up to more than 100%. We have a first nations person, an aboriginal person, who is in a wheelchair as well as being a female.

Mr Tilson: What about someone who's not in these categories?

Mr Daniels: There are people in those categories as well.

Mr Tilson: Where are they? What about a male?

Mr Pat Hayes (Essex-Kent): What about you, David?

Mr Tilson: Yes, what about me? Would I get a job up there?

Mr Daniels: Mr Kelly works there.

Mr Tilson: But he came from Toronto, I assume. I don't mean to be flippant about this. I'm quite serious, because I'm not in favour of the quota system.

Mr Daniels: It was not a quota system, first of all, Mr Tilson. It was definitely an initiative to work with the local community to provide employment equity.

Mr Tilson: Which is the quota system.

Mr Daniels: No, we didn't have a quota, we didn't have a set number. We worked with the community to identify people who could work for us who had the skills but who also came—

Mr Tilson: But the Provincial Auditor has just told us that this is what makes up your staffing complement in Thunder Bay.

Mr Daniels: The percentage of the target groups. In the provincial government's employment equity initiative, it has identified five target groups.

Mr Tilson: I'm well aware of what the government talks about with employment equity. My question was, this chart is the staffing complement in Thunder Bay.

Interjections.

The Chair: Order. I can't hear Mr Tilson. Order, please.

Mr Tilson: I can't even hear myself.

The Chair: Order, please. We deserve to allow Mr Tilson to ask his questions. Please proceed.

Mr Tilson: Unless I've misunderstood what Mr Peters said—

Mr Peters: I think you have. If I may correct that just for clarification, what we said in the line above is that the office has a favourable record in recruitment. The ultimate complement may have a different composition from what you see in table 4. It is the number of people who were added in Thunder Bay at this percentage distribution of—

Mr Tilson: But almost all the staff, with the exception of six, I believe, were new people from the Thunder Bay area. The whole purpose of the move was to employ people in Thunder Bay, a very admirable move; I think all three parties have supported that. My question is that this chart, it would appear, accurately describes who those employees are.

Mr Peters: It would omit, of course, the six to begin with. That's all I'm referring to.

Mr Tilson: It omits the six who came from Toronto. It would also omit anyone who isn't in these various categories.

Mr Peters: That's true.

Mr Tilson: In other words, you have a system in Thunder Bay which obviously requires individuals who must be able to handle very complicated computer equipment, who must be able to deal with the public. Presumably those qualifications must be met to hire.

Mr Daniels: They had to be qualified to be in the public service.

The Chair: One last question.

Mr Tilson: The difficulty I have is that in addition to that, you must be of one of these five groups.

Mr Daniels: No. You've got to go back to the point that of the number of staff who work in Thunder Bay who were recruited, 10% were aboriginal; 81% were female, and that means that 19% of the staff are male.

Mrs Margaret Marland (Mississauga South): Was that a requirement?

Mr Daniels: No. That's the way the competition worked. That's the way people who applied for the jobs—

The Chair: Mr Tilson, I'd love for you to be able to continue your questioning. The five minutes for the second round has expired. I even gave you extra time for your point of clarification.

Mr Hayes: Can I have a point of clarification? If I can understand this correctly, when you talk about the aboriginals, the physically challenged, francophones, racial minorities and females up in that area, does this mean that these are people who really never had an opportunity for employment before? Is that correct?

The Chair: That's not a point of clarification; that's a question.

Interjection.

The Chair: The Chair has not been watching the clock because we're past 12 o'clock; that's why I've not been watching the clock. It's been brought to my attention that we are past 12 of the clock, which means we're going to have to adjourn.

Mr Callahan: A point of order before you adjourn, Mr Chairman: I understand that a motion was carried successfully yesterday to literally stop any further matters dealing with the building of the \$200-million workers' compensation building. Notwithstanding that that was passed and not wishing to offend the rules by trying to reopen it, I do recall that—

Interjection.

The Chair: Mr Callahan has the floor on a point of order.

Mr Callahan: I think it's a very important issue. It's been swept away, as it were, by that motion, but there were undertakings made, in my recollection, by the people who attended before this committee. Even though the motion was passed and we can't reopen it and it has placed this issue beyond the realm of this committee, those undertakings, contracts and so on, are to be received. I would like to inquire if those contracts have been received, if all the information that we asked of those people has been received, and if not, why not? If it hasn't been, then the issue gives me even greater concern than the premature clamping down and putting a lid on that whole issue.

Mr Cordiano: Mr Chairman, on a point of order—

The Chair: Can I deal with Mr Callahan's point first? My understanding is that the vote yesterday undertaken by the committee was that basically the committee's work was concluded in this regard. If I had been a witness sitting before the committee and heard that motion pass, then I would not be providing any more information to the committee. Whether or not the auditor in his normal course of work is going to request information, I don't know.

Mr Callahan: I certainly have great problems with that, but if that is the case, that means all the information that was promised to us may very well have had an influence on how people voted on the motion of closing down the Workers' Compensation Board issue. This is a very important issue.

The Chair: The Chair has no control over that, Mr Callahan.

Mr Callahan: I think there's sufficient lack of clarity as to why the motion was passed. It may well have been passed by people who misunderstood the fact that by closing it down we would not get—

The Chair: Order, please, Mr Callahan. I think you have a valid concern, but that is not a point of order; I'm ruling it

out of order. That matter in itself cannot be raised again. We're not going to redebate a motion that was duly passed by the committee yesterday. Your point of order has been dealt with.

Mr Tilson: On that same point, Mr Chairman—

The Chair: No, I'm sorry. Mr Callahan's point of order has been dealt with.

Mr Tilson: He simply asked a question of the clerk as to whether that information has been received.

The Chair: I answered the question by telling him that no, the information has not been received, and I believe if any one of us had been sitting where the witnesses were sitting yesterday and had watched the proceedings of the committee, no matter how we feel or felt about the proceedings of the committee, you would not be providing this committee any information, because the committee passed a motion to conclude its work, whether we agreed with that motion or not. So I've dealt with Mr Callahan's motion. I've allowed further comment, even though I've ruled on it. That matter is now closed.

Mr Cordiano, you have a new point of order?

Mr Cordiano: Yes, I do, Mr Chairman. Referring back to the original motion with respect to our inquiry on the WCB, it called on the auditor to conduct an audit or an investigation, if you will, with regard to the issues surrounding that question. The auditor may choose to pursue a variety of these matters. I would like to know at this point from the auditor if he intends to do that on the original motion requesting him to look into the matter further, even though the committee's proceedings and public hearings came to an end.

The Chair: Okay, that's a fair question.

Mr Peters: I'm prepared to answer that. Immediately after the motion, we decided that we now need to seek direction from this committee as to where it stands on the original motion. My proposal was therefore to put this on—

Mrs Marland: On the original request?

Mr Peters: No, where the motion to conduct the value-for-money audit stands after the motion of yesterday. I was

proposing that we would bring this forward in the subcommittee scheduled for tomorrow morning at 9:30.

The second point, if I may, just to clarify another point, is that the officials from the WCB did approach us immediately and said, "Where do we stand with regard to providing this information?" I advised them at this point that we were uncertain as to the status of the original motion and, pending direction, would they please prepare all the information they had promised as far as it would affect the financial audit. I don't know whether you know this or not, but the Peat Marwick partner who carries out the financial audit was in the audience, and he was uncertain as well. So they agreed to provide all the information that is required for the financial audit, and they're pending a decision on the other motion to provide the other.

Mr Tilson: On a point of order, Mr Chairman.

The Chair: On the same point of order?

Mr Tilson: On the same point. I don't believe there is a motion that would be required to deal with this. There was a motion that was made in November by Mr Cordiano, which was passed, requesting the Provincial Auditor to complete an audit. That motion is quite clear. There was then a decision as to what topics this committee would review in its committee period during the break. It was decided that this would be one of the topics that would be discussed. Mr Farnan made a motion, which we on this side violently opposed, that we no longer discuss this very important topic, but that motion has nothing to do with the previous motion that was made in November. I don't think there's any further motion that needs to be made.

The Chair: I'm going to ask the clerk to obtain for us a copy of the original motion so we can look at it.

Mr Fletcher: And then the Hansard.

The Chair: Is there any further discussion on this motion from this side? Seeing none, it is now past 12 of the clock. The committee will reconvene at 2 pm in committee room 151.

The committee recessed at 1214.

AFTERNOON SITTING

The committee resumed at 1408.

The Chair: The standing committee on public accounts is called to order. Mr Callahan, you advised me of a point of order.

Mr Callahan: Yes, Mr Chair. When we broke here, the Chair had ruled on a point of order, and my good colleague from up there in the Orangeville-Caledon area had asked that we be given the proper resolution that Mr Cordiano had moved. I understand I have it; I don't know whether everybody else has it before them. Perhaps for the purposes of putting this matter forward, everybody should have a copy, and I'll wait till the clerk provides copies.

Just while she's doing that, just with some background for the benefit of those who might wish to try to understand what we're doing here, you'll recall that yesterday, I think it was, this committee was reviewing the issue of the proposed \$200-million building to be built on Queen Street on lands owned by the CBC for the Workers' Compensation Board. We were investigating it as a result of statements that we had requested of the auditor and he had placed in his report. It's my understanding that although there was some desire to continue those investigations and those discussions, there was a motion brought by Mr Farnan of the government to have the proceedings finished, and that won the day.

I raised this morning—and you ruled on that point of order; I don't wish to debate it again obviously—that the undertakings that had been made by the ministry people in terms of providing us with documentary evidence in regard to this issue would be provided to us. The auditor commented that in light of the motion by Mr Farnan, which effectively cut off debate, he had been told by the ministry officials they were not certain what they should do with those documents. I think it now becomes important to look at Mr Cordiano's original motion, and you should each have a copy of it before you.

I would suggest that the motion clearly directed that the Provincial Auditor "review the Workers' Compensation Board's plans to build a \$200-million office tower to serve as its new headquarters. As part of his consideration, the auditor should examine whether this is good value for money, in light of the fact that it would cost \$380 per square foot for this new office space at a time when there are 27 million square feet of available office space at an average cost of \$20 per square foot in Toronto."

That was passed by the committee. Although we have heard that the investigation by the auditor has made some changes to that, it would seem to me that in order to adequately carry that out and, for that matter, for this committee to adequately satisfy itself that all of the motion that Mr Cordiano had moved had been carried out, it would be necessary for the undertakings that were made by the ministry staff who were here be fulfilled, that these documents be placed in the hands of the auditor to be considered along with the audit that they've already given us and that they also be available to the committee in order to have us determine whether or not the matter has been appropriately dealt with.

I would say as well that the vote that took place—and I don't wish to comment on it, obviously, since you've made a

ruling on it—I would think, in any fairminded consideration of it, the members would have been influenced in how they voted by the absence or presence of those documents. I would presume that we all thought the documents would be provided, despite Mr Farnan's motion, and I therefore suggest that the original motion by Mr Cordiano requires that those undertakings that were made during those hearings on the Workers' Compensation Board's proposed building be provided to this committee for our use.

Mr Tilson: Mr Chairman, I guess he's quite right. I won't repeat the comments that I made prior to the break, other than a summary of the fact that we're talking about two separate matters, and I think it's quite clear we're talking about two separate matters. I'm not trying to negate what Mr Callahan has said. I agree with everything he's said. But I repeat that Mr Cordiano's motion was made that the Provincial Auditor, and I won't read it, essentially do an audit.

The motion made by Mr Farnan was that the discussion, the time that's being spent on this committee with the particular group that was before us on the particular information we had received at this time, does not preclude the Provincial Auditor—I don't think Mr Farnan ever intended that, because it would be a complete reversal of this committee and a complete reversal of his party's representation on this committee that the Provincial Auditor continue on with his audit.

If that audit requires that the same delegation come back with further explanation, I suppose we would accommodate that later on in the spring. But I really don't think there's a problem. It's quite clear that the intention of this committee is that the Provincial Auditor continue on with his inquiries.

The Chair: We have Mr Fletcher, Mr Farnan and Ms Haeck.

Mr Fletcher: Looking at the motion that's moved, I can agree with the first part, "That the Provincial Auditor review the Workers' Compensation Board's plan to build a \$200-million office tower to serve as its new headquarters."

After that, the figures in there, the \$380 per square foot, were, under testimony and in Hansard, brought into question. The motion is saying that it would cost—not that it may cost, not that perhaps it will cost or somewhere down the road there's a possibility—that it would cost.

I refer to Hansard from December when the Premier was asked this question, and I quote: "I'm advised that the information which the member shared with the House when he last asked this question, that the rental rate to be paid by the WCB—I think \$380 a foot was the figure he used. I'm advised by people who know about these things that the member's rental description is an absurdity and in fact bears no relationship at all to the facts."

So it was also brought into question in the House at the time, and I think at the time this motion was being raised that number was being—

Mrs Marland: Can you give the date of the Hansard that you just read from?

Mr Fletcher: December 2, sorry.

Mrs Marland: So that was after this motion was passed.

Mr Fletcher: Yes. I think at the time the motion was being raised—I believe it was the member for Renfrew North, Mr Conway, who was questioning the Premier at the time and using that figure and that it was also being used. In fact, in the testimony given in the previous two days by the people sitting at the front here that figure was flatly denied, that it's not \$380 per square foot.

In light of the fact that it is not a fixed cost, that it was just an airy-fairy figure picked out from someone else's calculations, I think the second part of the motion would be invalidated on the grounds that these figures do not bear any truth.

Mrs Marland: A point of order.

The Chair: A point of order, Mrs Marland.

Mr Duignan: On the same point?

Mrs Marland: Mr Chairman, my point of order is—

The Chair: She has a point of order, I'm assuming, based on what Mr Fletcher—

Mr Fletcher: I was speaking to the other point of order. I was already on the point of order. I was just speaking to it, about this motion.

The Chair: If I understand this right, we have an original point of order placed by Mr Callahan in regard to Mr Cordiano's motion. I have a list that we've been working on in regard to that point. We arrived at Mr Fletcher's comments and I'm assuming something you have said has caused Mrs Marland to raise a point of order. If that's the case, she will be allowed to speak on that. If that's not the case, we're going to continue on.

Mrs Marland: Mr Chairman, I would like to be clear whether when speaking to a point of order it is in fact in order to start to dissect the motion or the fact that the motion has already been passed. I think that's what's being discussed here.

The Chair: That is the crux of the situation. Mr Callahan has raised a point that I've not yet ruled in order or out of order and I'm listening. I want to have the advice of the committee and listen to all of the arguments before I make my decision. That's exactly what I was doing and I'll continue listening to the advice of the committee.

We have Mr Farnan, and then Mrs Haeck.

Mr Mike Farnan (Cambridge): Mr Chair, if I could address the point of order of Mr Callahan in this way, perhaps he has concerns; there's no doubt he has concerns. I believe part of the problem arose as a result of what Mr Fletcher was just talking about, that when you look at Mr Cordiano's original motion it trivializes the issue by giving a statistic that indeed has no bearing in reality when he talks about \$380 per square foot.

In order to address the impasse, I recommend that we pass this matter to the subcommittee, which is meeting tomorrow. Each caucus will have an opportunity to reflect on where we're at and to make accommodations, if that's possible, and to see if there is a way we can accommodate the concerns that have been addressed by some of the members of the committee. But I think we could go on at this for a long time this afternoon—

The Chair: I won't allow it to go on for a long time. I'm watching the clock.

Mr Farnan: —and I'm sure we won't come to a resolution today. I think there is a need for some caucusing around the issue and I would recommend that it go to the subcommittee tomorrow and then back to the committee.

1420

Ms Haeck: I too, like Mr Farnan, am somewhat concerned that we are moving off topic. We have a limited amount of time to deal with a range of issues. We have two gentlemen here, again at the behest of this committee, much like the members from the WCB were here Monday and Tuesday, to deal with some questions that are timely and are of concern to our offices. I think it really behooves us at this point to make good use of their time and our time to really get back on topic and allow the subcommittee to deal with this outside of the framework of this important topic.

Mr Callahan: Can I save some time, Mr Chairman?

The Chair: No, the Chair is going to make a ruling. I've allocated as much time as I can to Mr Callahan's point of order. Mr Callahan, in my view, does not have a point of order. Mr Callahan's point is that we should somehow review and either reinforce or in some other way take away from the authority of the motion that had been passed by this committee, as moved by Mr Cordiano. I do not believe that is order.

What I see before me is a motion moved by Mr Cordiano, dated November 26, 1992, fully and duly endorsed by this committee after debate. In my view, this motion stands. This motion is a clear instruction on what the Provincial Auditor should do. Whether or not the figures alluded to in the motion are correct or incorrect is something the Provincial Auditor will determine after professionally and carefully looking at all the information at the disposal of his office. As far as I'm concerned, there's no more discussion needed on this motion. It was debated and carried by the committee.

Mr Callahan: Just a point of clarification: Does that mean, Mr Chair, you're saying that the undertakings of the ministry officials do not have to be carried out in terms of producing this—

The Chair: My ruling was very clear.

Mr Callahan: I'm not sure about that.

The Chair: My ruling was very clear. The people who appeared before this committee were told that the work of this committee, as far as they were concerned, was completed, over with and closed. What they do with that material, I have no control of. I cannot in any way try to obtain that material, try to direct that material or in any way try to influence what they're going to do. We have a motion of this committee which instructs me, as the Chair, to go on to new business, which we have done. That has nothing to do with the motion that was passed November 26 regarding the responsibilities and obligations and the direction given to the Provincial Auditor.

Mr Callahan: So the public will never see those documents.

The Chair: Mr Callahan, that is not for the Chair to decide and I'm not going to allow any more debate on the ruling I've made.

I appreciate the assistance of the committee on this very sensitive matter. We're going to carry on now with our work in regard to the review of the office of the registrar general.

Mr Daniels was kind enough to inform me earlier on that he had some information obtained from the office in regard to the questions that all members had in regard to security at the office and the concern we had in regard to birth certificates and other important documents being falsified. Could I count on you to review that information in five minutes, Mr Daniels?

Mr Daniels: I'm actually going to pass it to Mr Kelly. He has all the information.

The Chair: Can we do it in five minutes?

Mr Daniels: For sure.

The Chair: Is that fair?

Mr Kelly: Yes, certainly, Mr Chairman.

The Chair: Thank you.

Mr Kelly: I understand that the question, as it was left, was that we were asked to outline the procedures that were in place when the 220 blank certificates were discovered to have been stolen. I can tell you that this occurred in the operation of what was termed "the manual desk." At that time it was the practice, if the circumstances warranted, to issue birth certificates manually by filling in the data using a typewriter. The blank certificates for this purpose were at that time issued to the supervisor of the area that operated the manual desk, and as each was used, it was to be recorded.

The practice in place now is, first of all, that there is no manual desk. The birth certificates, as issued, are only issued through the computer system, a database which governs that operation. Each team representative who is authorized to issue a certificate—and this occurs just at the front counter operation—is, as an individual, issued a block of certificates, and a record is made of the numbers that he or she has been issued. At the end of each day, those numbers that are utilized are recorded, and as the certificates are issued to individual members of the public, the number is recorded on the application form and is receipted by the individual who receives it. That is the current process.

The Chair: I'm going to allow five minutes' discussion from each caucus on this particular matter and then we're going to move along.

Mr Callahan: What you've told us seems to me to be kind of like Air Canada when it issues a ticket. They have ticket stock which is accounted for, and then they punch something into their computer and then the ticket comes out of the computer. Is that something similar to what we're talking about here? Is the paper actually in the printer?

Mr Kelly: I'm not familiar with Air Canada's procedure, but the blank certificates are serially numbered.

Mr Callahan: Okay, but are they kept in the printer? I mean, are they in a box where I could go grab 20 of them and manually hold them?

Mr Kelly: No. The inventory of blank certificates is kept in a vault and can be accessed only by the manager at the front counter or her deputy.

Mr Callahan: Okay, but I'm trying to get these things from the vault to wherever they're printed up. Obviously, one

person doesn't do all the printing. There are other people who would do the printing.

Mr Kelly: The sequence, as I've just outlined, is that blocks of these certificates are issued at the beginning of the day to individual team representatives who are servicing the public.

Mr Callahan: Right.

Mr Kelly: Okay. The numbers that they have been issued are recorded in a book, initialled by the manager and the individual team representative as having received those blocks. As these certificates are completed and issued, they are not issued manually through a typewriter, which was the previous procedure. They are only issued through the computer system which operates the database that governs those applications.

Mr Callahan: Okay.

Mr Kelly: As they're issued, the number that is utilized is recorded on the file on the application system, and the individual who receives it acknowledges receipt.

Mr Callahan: And then at the end of the day, is there an accounting?

Mr Kelly: At the end of the day, that individual team representative reports the actual numbers that he or she has utilized and that's recorded.

Mr Callahan: Is the same paper used for a birth certificate as would be used for other types of certificates that are handled by your office under the Vital Statistics Act?

Mr Kelly: It's the same type of paper, but they can be differentiated by colour.

1430

Mr Callahan: But are they numbered, as well, and is the same sequence for them?

Mr Kelly: Yes.

Mr Callahan: All right. Then somebody's responsibility is to lock them away in the vault at the end of the day?

Mr Kelly: Yes. There is an inventory and then there is a "ready use" allocation that's issued to the individual members. The inventory is kept separate. There are only blocks issued to individuals.

Mr Callahan: But at the end of the day, what's not used is put back in the vault, I presume.

Mr Kelly: They are locked up, yes. They have individual lockups.

Mr Callahan: They're not put back in the major vault. They're put back in the individual lockups of the people who are responsible for those papers.

Mr Kelly: That's correct.

Mr Callahan: So that really without warning, to sound melodramatic, there still is the opportunity for an employee to simply take them home and say goodbye to the job and go out and sell these, isn't there?

Mr Kelly: Yes, I suppose that's the case. As in many other things, there is an opportunity for an individual to breach his or her trust. The important thing here is that you can't escape unnoticed.

Mr Callahan: Right. But if someone did that, how would you determine which ones were bogus and which

weren't? Do you have any internal mechanism to be able to catch those bogus birth certificates or whatever that might get out on the street under the hypothetical scenario I've put to you?

Mr Kelly: I'm not sure. If I understand you correctly, we would—

Mr Callahan: I've got to do this very quickly because I'm running out of time. What I'm saying is, if you had an employee or employees—I understand you have a lot of them on a contract basis, and I don't want to point a finger at any of them, but I'm looking at the system. Let's say they were given their block of paper and they didn't use it up during the day and at the end of the day they put it in their own locker. They decide: "Well, at \$2,000 or \$5,000 a pop, I've had enough of this job. Goodbye." They go home and create a mechanism to do phoney birth certificates or phoney whatever. How do you pick those up? Is there anything in your office that would pick those up?

Mr Kelly: We have a means of reconciling, yes. We have a means of reconciling all certificates that have been issued against the individual who would have issued them.

The Chair: Thank you. Mrs Marland, five minutes.

Mrs Marland: Could I have my five minutes added to the time that I need to ask my other questions but not on this matter?

The Chair: No; I'm sorry.

Mrs Marland: No credits?

The Chair: No credits.

Mrs Marland: Okay. But I'm first on the list on other matters, right?

The Chair: Absolutely. Yes, you are.

Mrs Marland: Thank you.

The Chair: Mr Tilson can use some of those five minutes if he wishes.

Mr Tilson: No; pass.

The Chair: Thank you. Mr Fletcher.

Mr Fletcher: Just on the fraud on the 300 cards, how long was this going on before the person or persons were caught?

Mr Daniels: It wasn't a long period of time at all, Mr Fletcher. Our staff recognized the shortage and contacted the local authorities, first the OPP and then the RCMP. They alerted the passport offices. It was a multidisciplinary police action. We were prepared to release that employee right away, but the police wanted to put surveillance on to make sure they could build the case a lot stronger. We kept a careful eye on this employee, as did the police forces. There was cooperation there.

But once found, I think the key is what Ted said earlier. There is no longer any manual way of issuing a birth certificate. This was a very special service for emergencies, and right now if somebody tried to type one, it wouldn't look like a birth certificate you and I get. It wouldn't be machine printed. It would obviously look like a fraudulent certificate.

Mr Fletcher: Was this the first case of fraud in the—
Interjection.

Mr Fletcher: If you don't ask, you don't find out.

Interjection.

The Chair: Mr Callahan, you've used your five minutes. Mr Fletcher.

Mr Daniels: As I said earlier and as Ted said, it was a breach of trust during that transitional period. We hadn't had that type of fraud and we haven't had since. I think it's all a matter—and I think it is a good point—that people who are committed public servants have a career and are not going to commit this kind of fraud, but in a transitional period, if a person's job is wrapping up—

Mr Fletcher: This leads into my previous question of this morning: In hindsight, being 20-20, you'd do things a lot differently as far as security is concerned. So it was a learning experience also and you're a little bit the wiser for it.

Mr Daniels: Very much so. As Ted indicated, we brought in our internal auditors and our external auditors.

Interjections.

The Chair: I can't hear Mr Daniels.

Mr Fletcher: I'm also having trouble with that.

The Chair: Order, please.

Mr Daniels: We not only had the police assist us on this but we have an internal security person in our ministry who came over and helped us initially on security around documentation and storage etc, and we had our internal auditor come in and look again at what we had implemented and if it was working. I think we're quite satisfied now, but as soon as things like that happen we get on it right away.

Mr Fletcher: Just one quick point: Because of this incident, would you say security at the registrar general in general has become a lot better, with more scrutiny?

Mr Daniels: A lot more scrutiny; a lot more reconciliation daily. As Ted mentioned, each individual has a block and they really are responsible for their own individual blank birth certificates—a lot more accountability.

The Chair: We're going to carry on now, because I know members have other concerns and other questions in the remaining time. We're going to start a 15-minute rotation. We're going to start with Mrs Marland, then we're going to the government and then the official opposition.

Mrs Marland: I want to get back to this subject of delays. I've heard the presentation this morning about the productivity level that's been identified by the auditor and I've heard some of your answers. Nevertheless, there are real hardships being experienced by people around this province, no less a large number of my own constituents, by the fact that it takes a totally unacceptable length of time to get different types of certificates from the registrar general's office.

I want to tell you, I think probably the worst examples I'm faced with, certainly on almost a daily basis in my office and if not, definitely a weekly basis, are the examples of families waiting for the death certificate. I'm obviously not going to give you any names, but one family last fall who did not have a lot of worldly goods and chattels had the experience of the premature death of a father at a very young age. That mother—I think it took, in the end, almost five months to get the death certificate. In all of that time, she couldn't even access the bank account. I just think there's got to be a solution to these kinds of delays.

I actually asked my staff person in my constituency office to type me up some examples of what she has been experiencing and I've written to you. I have a letter here from Ms Churley of last May, where we were talking about the difficulty in getting your stolen driver's licence replaced because you can't get your birth certificate. The reply there was, of course, that there is an alternative with other valid identification to get an interim birth certificate.

The point is that if you can't have access to any money at all while you're waiting for a death certificate at a time when a family is just trying to cope—it's the most traumatic situation a family can be in, when an immediate family member has died. I really can't believe there isn't a solution to the kinds of delays we're talking about.

One of the examples that Wendy gave me—and she actually has put in brackets "my personal favourite" here—was a change of name. She said: "Staff seem surprised that you don't know these applications take at least one year to process, and in the case of one of our constituents it took two years."

"The applicant began this process to have her son's birth certificate amended in 1990, her cheque was cashed in December of 1991 and finally she received the certificate in December of 1992. Twice her documents were lost and she had to replace them and was then told she must fill in more forms. Even forms I faxed were misplaced."

1440

This particular person called into my constituency office in November "of 1992 to ask for assistance as she was now getting nowhere with the registrar general's office. It took several calls to that office before the call was returned"—this is my office, now—"and then several more before the file could be located. The first clerks I spoke to were pleasant and tried to help but then turned the matter over to the amendments section, where I was made to feel very silly for even asking for this application to be speeded up"—after two years.

Finally we had to call the minister's office, and fortunately in the minister's office we did reach someone who was very helpful and pleasant who promised to look into the matter. We then received a call from a very unpleasant clerk in Thunder Bay, who apparently then went on holidays and the matter was delayed again. I mean, because somebody is on holiday, surely a file isn't sitting on that person's desk. "Another call to the minister's assistant finally got someone to move and the amended certificate was finally received at the end of December 1992. It is very hard to explain this delay and this apparent lack of concern to our constituents, especially since this office should be well established by now."

That is just one example. Some of the suggestions my staff have made are that there should be more than one line so applicants can at least reach the office to make inquiries. "Very few people have the time to sit and redial their phones for an hour or more," which is the experience they're having. "If necessary, increase staff to clear backlog. It is ridiculous to have to wait such a long time to get a birth certificate, especially since it is very difficult to go to another country without a proper certificate for a baby and so many people are travelling nowadays"—and obviously the example of when wallets are stolen etc.

"If processing of death certificates cannot be speeded up, perhaps some thought should be given to accepting the certifi-

cate from the funeral home in order to expedite the processing of wills or insurance benefits." I know that's not under your jurisdiction, but the point is, why isn't it working?

I must tell you something. I came in this morning and saw on my desk this table 3, "Most Popular Given Names in 1990."

"The office has been receiving increasing requests for the more popular first names given to children. As a result, the office published a listing of first given names selected 100 times or more."

Is this a priority? How much staff time went into compiling this list of the most popular names? If I ever showed this list to the widows and widowers my office has been dealing with while they've waited in excess of five and six months for a death certificate, they would not be amused, and I am not.

Mr Daniels: I think, actually, starting with the last point first, the Provincial Auditor reports that we haven't been doing that. We're a year behind on that kind of report. We didn't prioritize that type of material.

Mrs Marland: A year behind on the popular names report?

Mr Daniels: Yes.

Mrs Marland: But why are we doing it?

Mr Daniels: People want it and it's required by statute, as you'll see in the report. I think, getting back to—

Mrs Marland: It's required by statute to make a list of the most popular names?

Mr Daniels: It's required by statute that we do an annual report on the office of the registrar general.

Mrs Marland: Which statute requires that we—

Mr Daniels: The Vital Statistics Act.

Mrs Marland: That we list the most popular names?

Mr Daniels: I'm not sure if it's that detailed, but it requires a report on the services and the various summaries of how many births, deaths, marriages, the whole demographic—

Mrs Marland: Okay, but I'm asking a specific question. I want to know if it's required that the people in the province pay for a compilation of a list of the most popular names.

Mr Sorbara: What happened to "Margaret"? It's not even on that list anywhere.

The Chair: Did you have an answer to the question?

Mr Tilson: Margaret's not even on the list.

Mr Callahan: Margaret's not on the list anywhere.

Mr Sorbara: I'm more concerned about the names. There are no Margarets, there are no Remos, there are no Erics.

Mrs Marland: Excuse me, what is the answer to that?

Mr Kelly: Mr Chairman, perhaps I could address the question. It's the Vital Statistics Act which requires us to provide an annual report. From previous interest and requests that were expressed, it was determined that it would be a reasonable thing to include this data in the annual report. The compilation of that material is done by the computer system annually, so it does not occupy an individual's time.

Mr Sorbara: It takes a minute and a half.

Mr Kelly: I should also maybe address your earlier question. I don't know about the specific case, but I'd be

happy to deal with the specifics at another time. The fact right now, today, is that we issue death certificates within two weeks from the time of the receipt of the application.

Mrs Marland: So how does it take five months?

Mr Kelly: Well, there can be complicated cases, and I did talk earlier about the process for registration. We can't, of course, issue a death certificate if we've not received the information that allows us to register the death. There are difficulties in that, and we're working with various stakeholders to improve that situation. Until we get information such as the medical certificate from the attending physician and the information from the next of kin, we can't make a registration. That does cause us problems, and we recognize that it can be a difficult situation for some families.

Mrs Marland: What about two years for a change of name, a year after your department has cashed the cheque for that change of name requirement?

Mr Kelly: To answer that, in January 1992 we took the deliberate decision to apply the resources that we had to address the backlogs that had built up in dealing with the routine requests for certificates, and we reasoned that we would be better advised to apply the resources we had to that area. We advertised widely that it was going to take us 10 months to do a change of name because we had a backlog of some considerable number. However, we also said that if there was any emergency circumstance that required this to be done, we would do it immediately, and that's what we have done.

Mrs Marland: How does the public know that? You see, the problem is that 99% of the public doesn't know that if they call the MPP's office, we might be in a position to help them. That's part of the problem. It's all the people out there who don't know how to access government services. They go through the normal channels because that's all they know. They don't know that if they call our office, maybe we can call your office and get some special assistance and have something expedited. But even that has not worked, in my experience.

You know, the other thing that I find really interesting, it's great when government decides to relocate these government offices around the province to provide employment in other parts of the province. It's pretty hard to argue against that. But I can assure you that when these government offices are moved a great distance away from the greatest concentration of the populace in the province, the telephone call cost is added to the operation of government, because I now have long distance telephone bills to Thunder Bay. Sometimes they're very lengthy calls. My staff are sitting there waiting for the phone to be answered, and rather than redial later on and still have to wait, it takes up a lot of my staff time because they're on the end of the phone waiting for the phone to be answered. Then when it's answered, they get bumped around, and I'm talking about one of our government offices. A constituency office is a government office.

Mr Sorbara: No, it's not.

Mrs Marland: A constituency office is paid for by the people of this province, and every time there's a long distance call to another government agency that's been relocated—in this case, Thunder Bay—it costs the taxpayers money to have

that service relocated elsewhere. So there is a factor of financial burden to that operation.

How do you feel about it? You can't be very happy about the fact that even if you had a 10-month backlog in change of names, they cashed the cheque a year ago.

1450

Mr Kelly: I could perhaps best answer that by saying that the practice of cashing the cheque, of course, was to address the security of those funds to make sure we didn't have loose cheques hanging around. We realized a year ago that we had some significant problems to deal with and proceeded to deal with them in the best way that we could with the resources that were at our disposal.

Mrs Marland: That's the caveat.

Mr Kelly: In attempting to communicate this, we did communicate widely with all our stakeholders to try and disseminate this to the public at large. You will know that we ran a number of briefing sessions for MPPs, division registrars, members of the clergy, anyone who would come into contact with members of the public dealing with questions that the office of the registrar general was concerned with, for example, a change of name.

Also, when people did contact our office with the application, we communicated to them, by return mail, a little note saying, "We regret, with our current difficulties, that we're unable to complete the processing of your change of name request, which may take up to about 10 months, but in the meantime we're returning your documentation to you, which we have photocopied, and when we are ready to complete the processing, we'll contact you so you can return it and we'll issue your change of name certificate," and that's proved to be generally satisfactory.

We do recognize it's still a long period. We are now able to address the backlogs in the specialty areas, which we are doing, and we hope that in the near future we'll have that turnaround time for those specialty areas within satisfactory limits.

The Chair: Thank you. The 15 minutes for that series of questions is now concluded. Mr Fletcher, followed by Ms Haeck.

Mr Fletcher: I'll be brief. Just a couple of questions about the delays in the turnaround time and everything else. When the move took place to Thunder Bay and you were left with six regular employees and had to hire new people—training was done beforehand, I realize that, but the move itself—were you still sort of living out of boxes for a while? I know what it's like when you move houses. You look for that can opener and it's somewhere. Were some of those problems just inherent in the move itself?

Mr Kelly: Certainly, Mr Fletcher, a move does trigger a number of difficulties and it has taken a period of months to stabilize the operation as a result of the disruption of the move.

Mr Fletcher: Before the technologies were introduced, before the 1990s and the technology, the process for getting a certificate, the search and everything that had to go on for the documents, how long was that process before? I'm talking, I guess, prehistoric times now.

Mr Daniels: I'd like to answer that. Historically, I think this is something a lot of people don't realize, that with the

on-line system that we put in place in October 1990, up until then—and I think a lot of you will remember prior to 1990—if you wanted a birth certificate you would come down to Queen's Park, you would apply for the certificate and it would have to be produced manually. You'd be asked to return two or three days later to pick it up. That was going to take you probably 120 minutes of just waiting time, because you're waiting two days in a row or two days over a period of a three-day visit. So nothing was ever done onsite, on what they call on-line, until October 1990.

We now have an on-line capability. Some days that line is long, but at least you know that at the end of that lineup you're not going to be asked to come back later to pick up the certificate. The system will produce it. So we've very much reduced our time there.

In terms of mail service, as Ted said, on birth certificates etc, we're running five to 10 days right now, and that's the tops for our ministry in terms of mail service components.

Mr Fletcher: That's pretty good, using a crown corporation.

Mr Daniels: The area we're not back to where we'd like to be is the area of change of name, amendment and delayed. What Ted's doing is, starting on February 1 this year, we're going to be running a special night shift to reduce the backlog in those three specialty areas.

Mr Fletcher: How long do you think this night shift will have to work?

Mr Daniels: We're funded for it until the end of this fiscal year, until March. But that means a whole shift of people who are only working on change of name, delayed registration and amendments, the three areas that we—

Mr Fletcher: This will clear up the backlog?

Mr Daniels: We'll get ourselves back to actual reasonable services that we'd like to have.

Mr Fletcher: That's good to hear.

Mr Daniels: We did receive extra resources this year.

The Vice-Chair (Mr Cordiano): Ms Haeck is next.

Ms Haeck: Mr Daniels, you made a comment just a minute ago relating to change of name, and I know Mr Kelly mentioned it at some point as well. On page 16 of this report, there's sort of a lengthier description of that.

I think there are some interesting things said in that description, such as the fact that, "Any Ontario resident may apply for a formal change of name. Alternatively, one may apply for a change of surname election while they are married, living common-law or at termination of their marriage or conjugal relationship. Generally, there is no fee for an election, whereas a formal change costs \$137," and it goes on.

Around this change of name, these are people who have recently married and there is a decision as to whether or not someone like myself would be keeping her maiden name or taking on the married name? This was something that was relatively new as well, if my memory serves me correctly.

Mr Daniels: That's right. In 1987 the government at the time passed a Change of Name Act. The Change of Name Act basically breaks changes of name into two distinct types of change. I think a good example would be new Canadians years ago—it doesn't happen as much now—may have

wanted to anglicize their name for business purposes. They would have to go through the courts, through a formal court process, to change their name. That was a court requirement.

Ms Haeck: That's the \$137 one?

Mr Daniels: That's the \$137 one. The 1987 law replaced that very complicated and very expensive legal procedure with a shortened formal change of name procedure that made it an administrative rather than a legal process.

At the same time, they changed the concept of change of name on marriage, what we call an election. This was a service that would be provided free of charge. There was a lot of controversy around this section, because it required that the ministry change the birth registration.

Ms Haeck: Yes, which I must admit I found rather strange.

Mr Daniels: That piece of legislation is the other reason why we gave change of name a low priority. I think three or four times—Mr Sorbara is here too—we've been trying to change that legislation, because it's controversial. Both the Liberal and the NDP governments have put forward motions to change the Change of Name Act.

It's not a thing that prevents people from carrying on with their name. Women prior to 1987 got married and changed their name. They didn't do it formally. They were able to get drivers' licences, they were able to get bank cards. Since 1987 they still can change their name and get bank cards and drivers' licences, so we said that this is not an important thing to do, because women can change their name at marriage without our having to get involved formally with it.

I think we did the right thing. There are a lot more important things. As Mrs Marland said, it's more important to get the birth certificate for travel, for people going overseas with their newborns. It's more important for somebody to get a death certificate. We said change of name will be the lowest priority. I think, as you can see here, the report also indicates that the ministry will again be bringing forward amendments to the Change of Name Act.

Ms Haeck: There was a question raised earlier. We had a bit of a briefing from the auditor about our presentation today, and one of the things raised was around divorce. You do maintain some files, I understand, from those discussions relating to divorce, but that's really a federal law, is it not? Why are you hanging on to these things when really it's a federal jurisdiction?

Mr Kelly: We are charged under the Vital Statistics Act with maintaining a register of divorces. We receive copies of each divorce that is sanctioned by the courts. We took a deliberate decision, in light of the difficulties we're having in coping with the normal work, to not complete the divorce registrations.

We receive the documents and we file them, we have them readily available for access, but it's been our intention to seek a modification of the legislation to remove this requirement, because it essentially is redundant. The federal government maintains a central registry of divorces with the Department of Justice, and that is the normal source of access for the public. In the last year we've only had one inquiry of our divorce registry.

To summarize, we have all the documentation but we haven't completed the registration. In other words, we haven't entered it into our imaging system and had it recorded on video disc, but we have the documents available to do so. We hope to remove the requirement by the change in the legislation.

1500

Ms Haeck: The change in legislation would affect your backlog in what way?

Mr Kelly: The existing backlog as shown on page 16 is comprised of—divorce registration amounts to 54% of it, so it would reduce it by more than half.

Ms Haeck: I thought someone else here might have a question.

The Vice-Chair: I have several people on the list. I have Mr Duignan and then Mr Hayes. There's approximately six minutes, so if you'd like to take three minutes each, unless there are other questions.

Mr Duignan: I just want to follow along on the same type of questioning as Ms Haeck. There's been some reference made to bringing forward a bill some time in the fall in relation to some changes to the Vital Statistics Act. Could you outline what type of changes you want to see in that act, or what you are proposing to change in that act?

Mr Daniels: I'd like to answer part of that and Ted can sort of fill in the parts I miss. One of the things that—and it's flagged, I think very well, in the Provincial Auditor's report as well, some of the changes.

One we talked about this morning was the very, very complicated and archaic registration process that requires the doctor to certify the birth, the mother to complete a form, for it to go to the municipality, it's packaged at the municipality, then it makes its way up to Thunder Bay. The public doesn't understand that complicated process.

When somebody comes to our counter or comes to see you within three or four days after leaving the hospital and wants a birth certificate and we try to explain to them this long process in this modern automated era, they can't fathom why we are doing this or why there are so many forms to fill out.

What we're hoping to do and what we're recommending in the legislation is to take those multiples of forms and have one form completed at the hospital. Ultimately, in working with the Ontario Hospital Association and working with the Ministry of Health, it's our hope that when the mother or the parent fills the information out at the hospital and the hospital registers the information, we could have what's called electronic data interchange going straight from the hospital up to Thunder Bay and back again, so that it happens instantaneously.

You can see that, in terms of the number of forms somebody has to fill out, waiting for a doctor to complete and maybe going away from the hospital and not returning for a couple of weeks slows it down. This will all be done at that time. This is one very major change we're going to make and that is integrating forms, working with the Ministry of Health, working with the hospitals to provide for a speedier process.

Other forms will be changed; other processes will be streamlined. The Change of Name Act will be amended to eliminate, we think, the elections on surnames and to return more to the practices of the past, to focus on the formal

change in name, the really important change in name that people require. That's what we direct ourselves to now, major changes to the Change of Name Act. Ted, what other ones might you want to flag?

Mr Kelly: Well, there are a series of small things which we're working to implement in consultation with the various parties that are part and parcel of the registration process in a way that'll make the whole thing more timely. Suffice it to say that the current procedure was not designed for a timely fashion.

Historically, the first occasion someone required a birth certificate was when they were 16, in order to take their driver's test. Now we're finding a requirement within days of the event of a birth. We have a requirement for death registration and death certificates in a much more immediate fashion. So the general thrust of our change will be to bring about a change in the procedure and the process which will make it more timely.

Mr Duignan: Very quickly, will changing this act also include getting rid of such things as compiling lists of the most common names?

Mr Callahan: Isn't your name on there either?

Mr Duignan: No, I don't think so.

Mr Daniels: I think, as Ted said, that is not an administrative problem. The computer is programmed to pop out these kinds of things. You can produce a good annual report once everything's on an automated system. It's not a labour-intensive report. It doesn't involve the time of our really important staff, the people who work the front counter, what we call the team representatives.

This kind of report is compiled by the computer, and the words written around it are compiled by a senior manager. It doesn't take away from the day-to-day operations. It's quite important, I think, in terms of vital events in Ontario that people know whether the birth rate is increasing or decreasing or what the death rate is, and we code the underlying causes of death; we do medical coding. So these are really important things. We work with the Canadian Cancer Society on death and causes of death. We work with other associations, with Sick Kids Hospital working on nutrition, infant mortality. These things are very important. That's why you need the statistics, not just the services that you and I see every day, like the birth certificate. There's a whole other part of our ministry and our branch that's helping demographics and the social fabric of Ontario that you've got to leave in place. We're doing a lot of things you don't hear about that are contributing to the betterment of Ontario.

The Vice-Chair: We have one minute remaining, and Mr Hayes has the floor for a brief question.

Mr Hayes: During the period of 1987 to 1991, the staff turnover indicates that it resulted in decreasing productivity, yet the auditor's report claims that staff productivity for 1992-93 could be the highest in five years. Can you elaborate a bit on that? Also, you might tell us how close you are to the target of reducing employee costs per output from \$7.27 to \$4.75, where we're at on that.

Mr Daniels: That's probably the most interesting part of this study. It tells you a little bit about relocation and it tells

you a lot about training. What it tells you is that experience is a very important thing and that the best way to learn a job is on the job. We all know this, and this just shows you dramatically what happens.

We had a workforce with an average of 12 years' experience in 1987 when we announced the closure, some of them with 20, 30 years' service. They know stuff automatically; any question they're confronted with they can answer. The announcement is made, and we make a commitment because we want everybody to get a job: "Nobody's going to be laid off. Nobody's going to be surplus." So we worked with the staff starting right away in 1987, said "Nobody will be held back from finding another job."

In fact, I took all 150 staff on a tour of the other ministry programs. Because what happens is, all of a sudden somebody says, "Your job's gone," and you say, "Well gee, I only know registration of vital events." We took them to the land registry offices and said, "Hey, you can do land registry." We took them to the companies registration office and said, "You can do companies registration." All of a sudden they realized they had generic skills, so they began to take those jobs. In 1987, 1988, 1989, I lost most of my staff.

We began then to supplement it with contract employment, and you heard some of the downside of that. Then by the time we reached the move date in April 1991, we had no experienced staff other than the six staff going to Thunder Bay. They arrived in Thunder Bay and began their training process, and this chart shows you that. As they learned their jobs—and this is a real testimonial to their skills; remember the point we made earlier, that a lot of them had never even worked—they shot their production past the production of the 20-year employee in that year's period.

Ted and his staff have worked really hard to train staff. I brought the training plan with us. This is a document I have extra copies of for everybody if you have time to read the philosophy of the organization, how staff are trained, the knowledge they will gain. At each stage of their training they're given a test to see what they've learned. We call it training verification.

The Vice-Chair: I'm sorry, we've run out of time on this section. I've allowed great latitude because we've gone over by about two minutes. I will turn to the Liberals now.

Mr Daniels: Okay, but that's the answer.

1510

Mr Sorbara: I want to begin by making clear my biases. For quite a long time I have been pretty impressed with what the office of the registrar general has done over the past three or four years, including a move to Thunder Bay, the adoption of leading-edge technology and the implementation of new workplace organization; doing all that at one time and coming out at the other end—yes, there have been periods of very serious problems—with a pretty impressive organization, run with approaches to workplace organization that I think ought to be at least one of the models for other government agencies.

All that being said, I might ask the assistant deputy minister, because we have an audience of perhaps 2,000 or 3,000 people around the province, just to explain—perhaps again; I don't know if you've done it before—in very simple terms, with this office now using fancy technologies in Thunder

Bay, how one goes about the simple process of getting one's birth certificate. What does one do? I'm a citizen in Kingston. My son is about to join minor league hockey and needs a birth certificate. What do I do?

Mr Daniels: In Kingston, the best thing would be by mail.

Mr Sorbara: By mail?

Mr Daniels: That's right, to apply for the certificate by mail and, as we said earlier, completing the information, finding out about the fee—

Mr Sorbara: Who do you send the letter to? Is there an application form that you have to pick up somewhere in Kingston? What do you do?

Mr Daniels: Yes, you could pick up an application form and actually complete it at the land registry office. The land registry office staff are trained to help you complete it, by the way; we have 14 offices that have that capability. They would then put it in a courier pouch: It goes to Thunder Bay quite instantaneously, and then by return within four or five days. It goes through our system. We will input the data, verify the birth and then issue the certificate. As Ted was saying earlier, this takes five to seven days now. We're not including the mail time in that. We're including the time it hits the front of our office and goes out into the mail from us. In Toronto it's even better.

Mr Sorbara: Before we get to Toronto, how much do I have to enclose with my application?

Mr Daniels: A birth certificate costs \$11.

Mr Sorbara: You say that in Toronto it's even easier. People in Kingston won't be happy about that. Why is it easier in Toronto?

Mr Daniels: Or in Thunder Bay; we have same-day service. We have a counter in Thunder Bay that provides same-day service. As I was saying earlier to Mr Fletcher, the same-day service is an innovation. It used to take you two trips to Toronto over a three- or four-day period. You would apply for it. We'd have to produce manually. We'd say, "Come back in a couple days to pick it up." Now people who come to the Toronto counter will get it that day.

Mr Sorbara: What happens actually? You have to come downtown to Queen's Park.

Mr Daniels: To Queen's Park, to the Macdonald Block, second floor. It's important to come at certain times. If you come at lunch-hour, you're at the worst possible time.

Mr Callahan: The best time is 8 o'clock in the morning, isn't it, to beat the lines?

Mr Daniels: Usually being there early in the morning is the best bet.

Mr Sorbara: So to get it quickly in Toronto, you come downtown to the Macdonald Block, at 8 or 9 o'clock in the morning, you go up to a counter, you fill in an application, you pay your \$11 and then what happens?

Mr Daniels: The clerk will sit down with you and verify that information and you'll leave with your certificate. The service time when you get to the front of the counter—there is a lineup—is three or four minutes.

Mr Sorbara: So you can turn a certificate out in three or four minutes, given this technology.

Mr Daniels: Absolutely.

Mrs Marland: Are you the former minister?

Mr Sorbara: I don't think that's relevant.

I have a couple of other questions around the technology. You've implemented leading-edge technologies in the registrar function of governments of the size of Ontario. Can you tell us what's coming up, what innovations we're going to be seeing in this registration function? Are there going to be computer linkages that allow, say, the passport office in Ottawa to directly verify in your computers that someone really was born in Canada? Are people going to get their birth certificates printed out in their own homes on their fax machines? What can the citizen look forward to over the next 10 years?

Mr Daniels: The next 10 years? Everything you talked about is even closer than that. By moving ourselves from a paper process, filing by paper, to filing by disc, on image, we can be live in Thunder Bay simultaneously to being live in Toronto, and ultimately, with link-ups, we can be live in 55 of our land registry locations.

What you need to produce a certified copy of your birth is the original birth registration, and that's what we've imaged. Under the Vital Statistics Act, that imaged document is the official certified document. You don't need to find the original piece of paper. That means that in Toronto, they're issuing certified birth registrations over the counter, with a hard copy that's actually in the Archives of Ontario, it's on a disc in Thunder Bay and it's being given to you over the counter in Toronto; so it's in three places.

What it means is that we can be remotely everywhere. Ted's working right now with the Ministry of Health. You can see the benefits of a link with the Ministry of Health, so that when somebody is completing an application for the health card, they're also completing their live birth and the doctor, and everything can be integrated to one-stop shopping. So there's that. Ted is working with the Canadian government to do those kind of link-ups as well. The link-ups you make with passport, so that things can be done instantly, are not tomorrow, but they're also not 10 years away. The fact that we have our system digitized and have automated records means we can do a lot of things with that material.

In California, for instance, you can get a birth certificate through a kiosk.

Mr Sorbara: Through a kiosk?

Mr Daniels: Yes. The Ministry of Transportation in Ontario is—

Mr Callahan: You get your picture taken too, I guess, at the same time.

Mr Daniels: Yes, and we'll be working with credit cards; you won't need the \$11 certified cheque or cash. These things are just around the corner. All of it will improve customer service. I know we've had a hard year in 1991, but it's behind us. We've moved that technology. We are the only Canadian jurisdiction using digital images now. Others are looking at it and will be following us shortly.

Mr Sorbara: Are they coming to investigate? Are Alberta, Saskatchewan, coming to talk to you in Thunder Bay about how you're doing?

Mr Daniels: Absolutely. We've had lots and lots of visitors, from Argentina, Singapore, you name it, because it's the technology of the future. But somebody has to be first. It's the perfect place for an imaging technology. We were paper-intensive, weighted down. Any new buildings the government builds, if it builds them for paper it's going to cost you more money. Paper weighs more than people. You build massive floor-loading costs to file paper. The 10.8 million records, that were piled 10 feet high here in the Macdonald Block, are now stored in the size of a refrigerator.

Mr Sorbara: I'm going to defer to my brother Callahan.

Mr Callahan: Some of those questions are ones I wanted to ask about what's in the future. I notice that you use mail. What's wrong with fax? That's number one. I understand some of the comments of the auditor in the delays was the fact that the mail didn't get it there. We all know what happens sometimes with the mail. Why do you not have fax? Why have you not integrated with PPSA? You've got a thousand divisional offices around this province, and I presume some of them are the clerk's offices of the General Division courthouses, are they?

Mr Daniels: Most of them are the county clerks.

Mr Callahan: Why would you not have an immediate linkage and allow this type of information to be done like the PPSA, where you could do a search of names and get them to spew out a certificate? I gather that there's a certain degree of privacy involved in this, but certainly some of the documents you should be able to file, I would think, by fax or through various institutions.

Having said those things, I've got limited time because the Chairman is coming back and I'm about to get cut off. But there are things like when you moved to Thunder Bay, and I have to say this, because every member of this Legislature has had criticism and I think correctly so, and I think you people would acknowledge it, from our constituents in terms of trying to prove that you're alive, dead, married or divorced. Sometimes that can be a very significant factor; in fact, all the time it can be a significant factor.

Mr Daniels: Yes.

1520

Mr Callahan: I have to really think about it because your ministry, through it or your division, through increased fees—increased by the government, I should say—raised \$8.25 billion as I read it, and it's a 15.3% increase of revenues, whereas in some ministries the revenues are down. The Treasurer is trying to be spot on and he can't be spot on because there are these increases. Yet in your area, where there's a 15.3% increase over 1989, one would expect that the government would see this not only as a service to those frustrated people out there who have to write Star Probe and everybody else, but that it would be a priority item that you would be given the appropriate number of staff to deal with this entire issue. That's a rhetorical question. You don't have to answer that one.

Mr Daniels: No, actually I can answer it.

Mr Callahan: That's for publication for the public.

Mr Daniels: But actually we did get extra staff, I gather.

Mr Callahan: Well, not that much; not enough, obviously, to cover the task. I applaud you for what you're doing now.

Mr Sorbara: This ministry is a big profit centre for the government.

Mr Callahan: That's right. It's a glut, it's a cash cow and you guys and ladies are not getting the support you need. The net result is that the people in Ontario are having difficulty in terms of getting their birth, death and so on certificates.

Finally, if I could suggest this to you, we all know that part of the report is that when you moved from Toronto to Thunder Bay, only six people went.

Mr Daniels: Yes.

Mr Callahan: Why did you not, instead of having these people go out and get jobs at the land registry office—it was commendable of you to do that and I hope you won't take this in a critical way. Why did you have them go out there and get those jobs instead of perhaps taking a contract job up in Thunder Bay to help these 100 new employees you had employed in a field that was totally foreign to them and which they had to be trained for? You could have used these contract employees to train them and you would have had a much smoother turnover in terms of reversing this, and perhaps we wouldn't be in this problem.

I simply say that so that if you ever decide to move someplace else, or if the government is listening and it's going to move some other ministry, it use some common sense in terms of using the people who have the knowhow. I can believe that if I were working in your area and somebody said to me, "We're moving to Thunder Bay," I'd say: "What? I live in Toronto"—or Brampton; Brampton, of course, is much better than Toronto. I would say, "I'm not going to go."

We have to anticipate that it's probably a good idea to move ministries around for cheaper real estate and to create jobs around the province. But if we're going to do it, I think we should make certain that we keep a pool of those people on tap for contract work for a month, two months or three months to train the new individuals who are going to take those jobs.

Mr Daniels: I think the answer to that is—

The Chair: Thank you. I'm not sure where the rotation is. We've finished with Mr Callahan.

Mr Hayes: We started with the Conservatives.

The Chair: We started with them, so that last 15-minute round is completed?

Mr Callahan: No, we started with Mr Sorbara. Don't let them mislead you, Mr Chairman.

The Chair: That's fine. We're going to start a new rotation of 15 minutes.

Mr Tilson: Mr Daniels, I will start by saying that I've been before a number of committees which you've attended and you're an excellent civil servant. You're always very convincing that everything's fine in the Ministry of Consumer and Commercial Relations. I will say to you that on the particular subject of servicing, with respect to death certificates, birth certificates and marriage certificates, I appreciate some of the things that you're saying.

As critic for my party, I asked a number of my colleagues to tell me some of their experiences they have encountered in

their constituency offices as to this subject. I appreciate that the minister has said things are going to be improving, and I'm sure they have, because you essentially started with a new staff; as Mr Sorbara indicated, a new move and computer system and a new staff. I appreciate that. But I will tell you that I don't think everything is as well as you're saying. Perhaps they are from your office, but they aren't from the constituency offices, at least the constituency offices I spoke to.

In my own experience in my office, if I'm to assist a constituent or my staff is to assist a constituent in getting any of these various certificates, I can't phone the Thunder Bay office. What I have to do is fax them a message and then they'll get back to me. I can phone, but I'll get a machine saying—

Mr Daniels: A voice mail.

Mr Tilson: I'll get a voice thing. They will get back to me, but I find that very strange. You've indicated that you're increasing telephone, but I find it very strange that I, as a representative for my riding, cannot personally phone the office of the registrar general in Thunder Bay, which is issuing these certificates, directly. I have to go through a fax machine.

A number of my colleagues have given me letters. I'm not going to repeat individuals' names, because I don't think that would be appropriate, but I'm going to list to you some of the complaints, and these are just typical. I understand that you have said you've responded to many—perhaps my question is almost identical to Mrs Marland's, and you have indicated things are fine. I can only tell you that they're not as fine as you're saying.

This is just one example that I've taken at random from my colleagues. This particular constituency assistant says that the complaints they're receiving on a general basis include that when birth certificates have been mailed, they never seem to show up. When the constituents call back, they are told everything from, "The file has been lost," to, "It does not appear on the system," to, "You did not submit a fee," when they did, to, "I don't know who you talked to before, but the application has not been processed."

The second complaint this particular constituency assistant has made is that with respect to name changes, they say they are told the waiting period is 10 months. This isn't last year; this is current.

Mr Daniels: I agree.

Mr Tilson: With respect to name changes, they're told that the waiting period is 10 months, yet, "When we attempt to follow up after 10 months, we are told that the file will only then be pulled and the application will be processed in six to eight weeks following the 10 months."

I can only tell you that I don't know how common that occurrence is, but it is occurring, and I believe it is occurring, because this isn't an isolated situation. I find that process unacceptable.

Thirdly, in the case of delayed registrations for birth, one constituent had a birth certificate which she lost. When she applied to replace it, she was told her birth had never been registered and that it would take 10 months to do so. She completed the DRB forms, which were submitted in April 1992. This constituent was then asked to wait a year or more

in order to register a birth which in fact was registered to begin with.

The office is therefore making the constituent pay in money and in time for its failure to keep accurate records. In other words, time and time again, people's cheques are cashed, but the forms are returned for whatever reason. For the second year in a row, the constituent must cancel travel plans or take the chance of customs officials refusing her entrance into Canada because of her failure to present an Ontario birth certificate. That's one of the common things: people going out of the country and requiring a birth certificate going to a travel agent and suddenly realizing they need a birth certificate, and being told it's going to take weeks or months to get a certificate. Not everyone knows that you can call up your provincial member or go through the process you have described.

There's another constituent who has been trying to have his son's name changed for three years. I understand there may be problems I haven't been made aware of, that this may not be routine, but there is a whole slew of examples. Each time he reaches the ORG, with the great difficulty he has after speaking to machines, which is the same problem I have—you speak to machines, which frustrates him and frustrates my staff, so you can imagine what happens to the public, speaking to machines—he's told a different story each time. When they finally get through, they're told a different story.

No one seems willing to take the responsibility for resolving the mess. Only this morning, and this memo is dated January 13, they received a call from a constituent who has been trying to obtain forms for name change in the Thunder Bay office. Again, she had extreme difficulty in reaching a human voice. When she does, she is refused a name and never speaks to the same person twice. She began asking for name change forms in October. She was told they'd been mailed. She waited. She asked again in December. She was told they'd been mailed. She waited. Finally, she called this member's office. There are forms at the office and they've given it to her.

1530

This constituency assistant was told by the Thunder Bay office that it's now processing regular applications for birth certificates in about six weeks. The constituents tell this member that is not the case, because the member is brought applications and cancelled cheques and is asked to resolve the issue of no birth certificate forthcoming. So these people are angry.

Mr Daniels, as much as I admire your persuasiveness at committees that everything is fine, I can tell you that, over and over, everything is not fine. Notwithstanding the problems you have that have been foisted upon you by whichever government, whether those are good decisions or not good decisions, I'm suggesting that you're going to have to move a little faster, that you're going to have to devise a better system or better training. I know you've got green forms that say how wonderful those are, and you might even be able to convince me, but everything is not as well as you say.

I could go on and on. This goes on for further pages, essentially saying the same type of complaints. These are not fabrications, so would you comment on when we, as

representatives of the constituents in our respective ridings, can tell our constituents that the situation will improve?

Mr Daniels: I think the information you have on areas like delayed birth registration or amendment and change of name, everything you've said there is absolutely true. We're running a year on a change of name, 10 months plus. As I said earlier, though, starting on February 1 we have extra staff, because we've taken some surplus people from the Ministry of Community and Social Services, people who now have a job opportunity, and we've established a night shift to deal with those three areas that we continue to be backlogged in, and those are delayed birth registration—you mentioned an example there—and change of name and amendment.

That's our commitment, to bring those numbers back down to reasonable service levels. Your letter of January 13 will be absolutely correct. Those are the kinds of periods of time that people are facing in those three service areas.

The point about six weeks to get a birth certificate I don't think is valid. We track the incoming mail and we track that same certificate going out, and we're looking at 5-, 7- and 10-day turnarounds. We're not looking at anything like six weeks any longer.

I'd like to turn it over to Ted to give you more detail, because you put forward a lot of relevant and important questions. But I'm not deluded into thinking everything's perfect, because we are still getting better. I think the Provincial Auditor's report is a fair report. It shows a dip and it shows a recovery, but we're still in the recovery period.

I think you're right. I used to get 40 calls a week personally, so I know, and it's dropped right off. I think you may have received lots of calls last summer, and they're dropping off. But still there are going to be people who are going to fall through the cracks, and we're going to have individual stories that we're going to have to deal with on an individual basis. There are going to be emergencies, and I think that's important for all of us around here to understand. When there is an emergency, we should get involved.

Mrs Marland: Do you want us to call you?

Mr Daniels: No, with our special services group.

Mrs Marland: You don't want us to call you?

Mr Daniels: You can call me—I have a special services number—but all I do is fax it to Ted.

Mr Tilson: He's got a machine too?

Mr Daniels: Yes. Ted, you might want to address this.

Mrs Marland: I thought you were going to give us your home number.

Mr Kelly: I can attempt to outline a number of particular circumstances, and I'd be pleased to address them on the individual case if you'd like, but I can only answer with the facts. Currently, today, we turn around all service requests inside two weeks. It fluctuates. It's been as low as five days, but it's not been above 10 days for a considerable number of months.

On the change of name, we are saying right up front currently it's 10 months, but if anybody reaches 10 months and it hasn't been done, I will personally ensure that it's done immediately. If anybody has an emergency circumstance, we'll do it immediately.

In terms of phone contact, I mentioned earlier that we have 16 lines coming into the office, nine of which are 1-800 numbers, and we have eight full-time operators. We would certainly like to be able to provide a human being for people to talk to if that's their wish, but the volume of calls is such that we simply can't do that.

We're hoping to address this situation by reducing the requirement for them to call us. If we can provide the service in a timely fashion, then that should negate the requirement and also will free up these resources we currently have dealing with callers from the general public, dealing with MPPs' offices, to be able to actually process work. That's the direction we're moving in.

Mr Tilson: Do I have time for one more?

The Chair: Two and a half minutes.

Mr Tilson: With respect to the change of name, this is a letter that was received in this same package from the same constituent. It was received the last day of December. Again, I won't give you the person's name unless the person consents to it, but attached to this letter was a notice on the Ministry of Consumer and Commercial Relations letterhead, this change of name notice. It's undated, signed by you, or a copy of your signature, again simply saying:

"Enclosed is the documentary evidence relating to your application for name change. We have photocopied it and are returning your originals in order that you will not be inconvenienced. Unfortunately, this department is currently working with a significant backlog and do not expect to be able to process your case for approximately 10 months from the time you submitted your application. We appreciate your patience and are working as quickly as possible at decreasing the time delay. Thank you for your cooperation."

It's signed by you, Mr Kelly. This was attached to a letter which was received at the end of December. It's just a letter to the constituency office saying: "I...have had it. I received this letter"—the one I just read—"a few months ago and the maddening thing about it is they didn't put no date on it. It's been over two years now and I still haven't received any birth certificate. It's paid for, \$130 was the amount. I think I deserve to be served a lot better than what they're doing to me now." Then it goes on with a sentence I don't think would be appropriate to read.

Again, these people are very concerned, Mr Kelly. I know you've got a difficult situation and I will just simply say that the people in the trenches who are the constituency assistants working for members of this Legislature are very concerned about the service you and your staff are providing with respect to birth certificates, marriage certificates, death certificates and changes of name.

Ms Haeck: Just to sort of go through a bit of past history, I used to work at the St Catharines Public Library. I was called a special collections librarian. I dealt with a number of genealogical requests, assisted people and gave out the forms for requesting a birth, marriage or death certificate of an ancestor. Obviously there were a lot of discussions about the turnaround, and one issue that was always somewhat thorny was having—Mr Tilson's comment sort of sparked my concern with regard to having a cheque sent in and not receiving, necessarily, the information the person had desired.

I know of some cases where several cheques were cashed and no information necessarily received. I really sometimes have some difficulty in explaining this to someone, because as an educated consumer you do tend to wish to get some result for money spent. Could you give us a clarification of what the situation really is?

1540

Mr Kelly: I guess the best way to answer that is it certainly has been the traditional practice within the office of the registrar general—and the process that has been in place for many, many years—to receive the application with the funds and to then process the cheque or the money order, whatever it is, immediately it's received. Normally, I guess, historically this was not a problem because the general turnaround was such that the service was provided fairly quickly.

With the onset of the delays occasioned through the backlogs we've been discussing here at length, that became a particular thorn, and understandably, in that it seemed the funds were processed and taken weeks and weeks in advance of the service having been provided. As a matter of practice now, which we have instituted recently, we screen all applications right at the outset.

Ms Haeck: That's not just genealogical ones.

Mr Kelly: No, that's any application for any service of any nature. If the information is not complete to the degree that we can actually process the request, then we return the funds that have been forwarded with a letter outlining what is deficient and send the funds back. This is a significant change and we hope it will alleviate this problem where people have forwarded an application with the funds and because the application does not contain sufficient information for us to service the request, the period of response becomes protracted and in the meantime we've already cashed the cheques.

Ms Haeck: How long have you had this particular procedure in place?

Mr Kelly: That's as of six weeks ago.

Ms Haeck: So it's really quite recent.

Mr Kelly: Yes.

Ms Haeck: Any sort of feedback at this point? I know it's fairly recent. Any feedback from folks?

Mr Kelly: I think it'll take some time for us to get substantive results here, but what we're trying to do is to reduce the number of exception handlings here. We can have, and have had in the past, as many as 50,000 and 60,000 requests for service in limbo, waiting for either additional information or in some cases for the correct fee to be rendered. Our approach now is that we won't put them into the system until we have sufficient information that we can actually complete the process.

Ms Haeck: I'm not sure you'll be able to answer this, but in any one year, how many genealogical extract requests do you actually get? I know it's a very popular hobby and it's probably quite time-consuming for you, but I know that from the community I address it's a hot item.

Mr Kelly: We have been receiving in the order of 30,000 requests for genealogical search and we've been attempting to process as quickly as we can, but the nature of a genealogical

search is such that it routinely requires a manual process of searching. That's one of the areas where the time frame here has been more extensive than certainly we would like.

Ms Haeck: I understand you've had some folks going over to the archives as well.

Mr Kelly: Yes. We have transferred a lot of the records that were previously held by the office, records that go back to its very beginnings, to the provincial archivist. That constitutes a large proportion of the records that genealogists are interested in. The provincial archivist is processing, cataloguing and taking those into his system and will be able to respond to genealogical requests quite quickly, and currently at no cost.

Mrs Ellen MacKinnon (Lambton): I've heard a few times around this committee today about the delay in getting the registration for death. Things must have changed, because at the time of my husband's death the undertaker issued it to us and I was able to proceed. Then in 1992 there was another death in my family and again the undertaker issued a death certificate and we were able to proceed once more. Is there something I'm missing out on here? Because if so, I'd better find out. Not that it matters if I'm dead; I won't know what they're doing.

Mr Kelly: Normally, the funeral director's certificate is accepted as proof of death. In our experience, it's quite an unusual circumstance where organizations insist on receiving an actual death certificate. In order to issue a death certificate, we must have completed the death registration and received all the documentation, including the medical certificate by the physician, or the coroner if the nature of the death called for his involvement, so there can be quite a period of delay before you get all that and before you can actually complete the death registration.

From our research, there are some organizations, some insurance companies that have routinely been insisting upon a death certificate. We've been working with the insurance association of Canada to rectify that. But it's not a common occurrence for the death certificate to be demanded.

Mr Daniels: I think that was a very important question, because we did meet with this in that consultation we did across the province with various groups. The insurance association attended the Toronto meeting, and the representative there indicated support for the certificate of death issued by the funeral director as satisfactory to them as an association. I think that was important.

That was why this dialogue's really important, because some insurance companies or some legal firms may slow down the process inadvertently. I think Mrs Marland also said it, "Why isn't the funeral director's certificate enough?" It should be enough to process the pension, to process the estate. It is in 99% of the cases.

Also at that meeting was the Canadian Bar Association. It's really important, in this kind of consultation, to get all the players in the room. I think that was a real eye-opener for them to sit around the table, for the lawyers to hear, for the funeral directors to hear, for the insurance companies to hear, because we're sort of receiving all this stuff. I think it was a good exercise, to bring them all around the table to see what each one is doing to the other by asking for a form that

maybe we can't produce quickly when they could accept something from the funeral directors.

The funeral directors attended every one of those 10 sessions and there's quite a good rapport we have with that community. The response we got from the insurance association was again very positive. This is why this consultation was really good. Sometimes out of crisis comes a lot of virtue and I think that's the best part of this. We went out and we met with our constituents and all our stakeholders.

That's something we do all the time in real property, that's something we do all the time in personal property, but for us to finally get out and talk to our vital statistics stakeholders, bring them into a room and talk to them was a tremendous move. We're going to continue that. We need a user group to tell us when we're messing up, as we just heard. I think that's really good.

1550

Mrs MacKinnon: The other issue that is brought to my attention on many occasions is that the newer birth certificates are paper, and they have printed on them, "Do not enclose in plastic," or something. Why? Do you know what happens to them when you put them in your wallet without something to protect them? I've had to renew my son's twice in the last one year.

Mr Kelly: We understand that concern. It's something that we have expressed frequently. The reason why you get that warning—and, as you know, previously certificates were issued in laminated form—is the concerns about security and insuring against false or fraudulent representation of identity.

Because of that concern, Ontario, in concert with other jurisdictions across Canada, agreed and adopted, through the Vital Statistics Council, the recommendation of the RCMP and the Ontario Provincial Police that we utilize material for our documentation that was better able to guard against counterfeiting, to maintain the security of it. The nature of that material is such that a lot of the security features are negated if they're laminated in plastic. As a result of that, we've had to issue only in what appears to some people as a flimsy document.

Mrs MacKinnon: Forgive me, but I would have thought that plastic would have been a great security measure. Mine has been in plastic.

Mr Kelly: Durability, yes, but it negates the security features that are inherent in the material that's used for the printing of the certificates.

Mrs MacKinnon: It gets negated anyway. Have you ever watched a young man put them in and out of his wallet? The security gets very well negated after you've pulled them out a few times.

Mr Kelly: The aspect is to guard against counterfeiting.

Interjection: And you wash them.

Mrs MacKinnon: Yes, if gets left in his jeans, heaven help us.

Mr Daniels: It's the paper itself. It's paper like is used in making money. It's Canada note paper. It's the paper that has to be maintained. It's not the usage of it or the frequency or encasing it; it's the security of the Canada note paper. As Ted said, we made an accord with all other—this is happening in

Manitoba, British Columbia and the Yukon. All the vital statistics organizations of Canada adapted the same paper and the same security provisions.

Mr Kelly: We've had to sacrifice the durability feature for the protective measure against counterfeiting.

Ms Haeck: Does this raise the issue of the fact that, for the most part, most Ontarians, and I'd say probably most Canadians, don't look at these documents as something that they really, truly should take a whole lot better care of? I've watched a lot of people photocopy theirs after theirs have gone through the washer several times. The number of people who come into the office having lost them has always amazed me in light of the fact that this is obviously something that is highly important and really should be kept very secure and in fact obviously is not.

In light of what you're talking about with the health card and possibly linking it up with passports and whatever, I think we have a bit of education to do and convincing of the public around the fact that these are important documents that really should receive special care.

Mr Kelly: You're quite right, and we've certainly witnessed over the last number of years the increasing importance of registration information, particularly the birth certificate, in the normal course of public activities. In a number of jurisdictions, the concern is such that they don't even issue a wallet-size type of certificate. They do not wish to encourage anybody to carry the certificates with them, and they're really designed to be kept in safe-keeping.

The Chair: I think that pretty well more than uses up the allotted time. Are there any final questions members might have? Mr Cordiano.

Mr Cordiano: Very briefly, I just wanted to ask about the accounts, and I don't know if have you some documents—

Mr Daniels: We're looking at the same report.

Mr Cordiano: Okay. In appendix A, if you look at comparisons year over year, I'm just curious—and I'm sure this must be related to the transitional period—under the heading "Services" in the period 1990-91 there was quite a large increase over the previous year, \$3.5 million. Give us a little breakdown of that. I'm sure it's related to the technical move.

Mr Daniels: It's actually related to the imaging technology system. As you can see, it comes back down again after that year.

Mr Cordiano: Yes.

Mr Daniels: What is in there is the fee for the development of that software. Also in that would be the conversion costs with the Goodwill Industries, a transfer of funding to them. The equipment costs would be under supplies and equipment, that would be the hardware, but the big cost of the technology is the conversion cost and the software development. We

were the first vital statistics area to do it, so in a sense we're developing brand-new software, and that's the cost there.

Mr Cordiano: Last question, Mr Chairman. In the estimates 1992-93, salaries and wages, you're estimating also a reduction over 1991-92. We were at \$5.4 million for salaries and wages in 1991-92 and in 1992-93 you're looking at \$4.4 million in estimates.

Mr Daniels: That represents the savings that are associated with the technology. As Ted indicated earlier, we're going to be operating now with 137 staff. We have operated in the past with 150 to 157. Because of technology improvement, we are surrendering a certain amount of our salary and wages. That's what that represents.

Mr Cordiano: Okay, good. That's what I wanted to know.

Mr Daniels: We're saving money with technology.

The Chair: Any other final questions? Seeing none, I wish to thank Mr Daniels, the assistant deputy minister, the Ministry of Consumer and Commercial Relations, and Mr Ted Kelly, deputy registrar general, for appearing before the committee today and answering our questions. The committee will be going into closed session—oh, I'm sorry. I forgot. The auditor had mentioned to me that he has one or two short questions, if you don't mind, before you leave. I'm sorry about that.

Mr Peters: Actually, it's more a comment than a question. I just want to remind the members that our report also includes the statement that we have begun our audit of the imaging system in use at the registrar general and that the audit focuses on the efficiency, cost-effectiveness and the security of the system. So we're still looking also at the security aspect of that and I'd thought I'd mention that to you.

We are at the moment planning to issue the report in the first quarter of 1993, so probably at that point the members will have the opportunity to meet with you again, and if there are any questions or any developments that may take place in the intervening period, they might be brought up.

The Chair: Thank you for that information, Mr Peters. Mr Daniels, Mr Kelly, thanks again.

Mr Daniels: I'll leave this training information. If anybody gets really excited about reading it, it's here.

The Chair: Okay. We're going to go into closed session in a couple of minutes. Before we do, I want to remind the subcommittee that we're meeting tomorrow morning at 9:30 am in committee room 2 and at 10 am the full committee is meeting in committee room 151, the room we're meeting in today. That concludes the open session of the public accounts committee for today.

The committee continued in closed session at 1600.

CONTENTS

Wednesday 13 January 1993

Review of audit on Office of the Registrar General P-257

Art Daniels, assistant deputy minister, registration division, Ministry of Consumer and Commercial Relations
Ted Kelly, deputy registrar general, Office of the Registrar General
James R. McCarter, executive director, ministry and agency audits, Office of the Provincial Auditor
Erik Peters, Provincial Auditor

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Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
O'Connor, Larry (Durham-York ND)
- *Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

*In attendance / présents

Substitutions present / Membres remplaçants présents:

Farnan, Mike (Cambridge ND) for Mr Frankford
Fletcher, Derek (Guelph ND) for Mr Johnson
MacKinnon, Ellen (Lambton ND) for Mr O'Connor
Marland, Margaret (Mississauga South/-Sud PC) for Mr Cousens

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



Legislative Assembly of Ontario

Second Intercession, 35th Parliament

Official Report of Debates (Hansard)

Thursday 14 January 1993

Standing committee on public accounts

Annual report,
Provincial Auditor, 1992:
Ministry of Consumer and
Commercial Relations

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Jeudi 14 janvier 1993

Comité permanent des comptes publics

Rapport annuel de 1992
du vérificateur provincial:
Ministère de la Consommation
et du Commerce

Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
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Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 14 January 1992

The committee met in closed session in room 151.

1112

ANNUAL REPORT, PROVINCIAL AUDITOR, 1992 MINISTRY OF CONSUMER AND COMMERCIAL RELATIONS

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. The committee this morning is reviewing the work of the Provincial Auditor. We are reviewing the audit report on elevating devices as it refers to the elevating devices branch of the Ministry of Consumer and Commercial Relations. We wish to thank the guests whom we've asked to appear this morning and we'd like to ask our guests to introduce themselves for the record and what offices they hold within the ministry. You can make a presentation to the committee this morning if you have one prepared. If not, we'll immediately go into questions from the members. I'd like to turn the floor over to our guests.

Ms Judith Wolfson: Thank you, Mr Chair. My name is Judith Wolfson. I'm the Deputy Minister of the Ministry of Consumer and Commercial Relations.

Mr John Walter: My name is John Walter. I'm the assistant deputy minister, technical standards division.

Mr Norman Benn:-2 My name is Norman Benn, manager, field operations, elevating devices branch.

The Chair: Ms Wolfson, does the ministry have a presentation for the committee, or do you want to proceed into questions and answers?

Ms Wolfson: No, Mr Chair, we do not have a presentation to make. I do want to thank the committee for the opportunity to appear. I have with me senior officials, senior members of my staff, who I hope will be able to assist the committee and answer all the questions in a rather technical area of the ministry's responsibility.

The Chair: We'll start off with a 10-minute round: official opposition, Progressive Conservative Party, then the government members.

Mr Joseph Cordiano (Lawrence): Welcome to the committee, and nice to meet you again on this matter that we discussed in the last part of 1992 in the standing committee on estimates. Let me start off by asking what the ministry has done since then in terms of implementing pragmatic solutions to these problems. What trains have you set in motion to get these items resolved? There are a whole host of things to deal with to do with the auditor's report. What can you tell me that you are starting to do that we would feel good about in terms of this report, because there's a whole lot we do not feel good about and there's a whole lot of concerns that we have on this committee.

Ms Wolfson: I think, Mr Cordiano, that I'm going to ask Mr Walter to specifically talk about the issues that we feel are of importance, the issues that the Provincial Auditor

highlighted, and our response to them. If I might, though, take just a very few moments, I think it is important for us to put into context—and I know Mr Walter will do this—the efforts this ministry is making to ensure safety in a very vigorous manner. The issue of elevators and elevator safety is difficult. There is no question that the issue of paramount importance is the safety of elevators, but I think it's important to put into perspective that in the province there are about 35,000 elevating devices, that there are about six billion rides per year and that safety is of paramount importance in six billion rides a year.

It is our view and it is our response to the Provincial Auditor that the safety of elevators is not being compromised, that, although there have been a number of fatalities over the past five years, those have been very few and far between, an average of fewer than one per year, and none of those has been due to mechanical failures. That's the perspective, if you will, that we spoke to, I hope, in our response to the Provincial Auditor. There are indeed measures that we have taken and will continue to take, and I'm going to ask Mr Walter to talk specifically about inspectors and how else we are managing that system.

Mr Cordiano: Before you do that, before you turn to Mr Walter, I, perhaps in assisting you in answering some of these questions, want to be a little more specific. With regard to the auditor's report and your responses to his findings, you start off with this sentence: "We do not agree that inspection efforts were inadequate to ensure compliance with safety standards." Then, as a consequence of that statement, you go on to indicate responses to the auditor's concerns about what you are in fact doing to increase inspections so that safety is not compromised. You have a contradictory statement from the outset in view of the actions or at least in view of the initiatives that you will indeed take in answering some of the charges made by the auditor about safety standards. On the one hand, you do not want to recognize that you have safety problems with respect to the frequency of inspections and, on the other, you're taking steps to correct that. Which is it? You recognize that you have safety standards problems with respect to compliance or you don't.

Ms Wolfson: I am going to request Mr Walter's help with specifics to your question. The issue of elevator safety is not directly related only to inspection and numbers of inspectors, and that is why it's important for us to look at how we in the ministry manage the issue of elevator inspections and elevator safety as a package. Perhaps Mr Walter can help.

Mr Walter: First of all, to follow along what the deputy minister said, Ontario has probably the best elevator safety code in North America. We are entirely comfortable with the level of safety the equipment provides. That doesn't mean we wouldn't try to improve on that. With regard to some of the specific things you are particularly interested in, Mr Cordiano, we have undertaken probably three main initiatives to address your concerns.

The first would be around the implementation of an automated licensing registration and inspection system. You would have seen it in our response; it's called Index. We will have the third phase of that program completed by May of this year, with the data being populated by the end of the calendar year.

The second main initiative would be the inspector training program. What we found, probably in the late 1980s, was that we were unable to attract inspectors from the industry because of the very high salaries they were making there, and because we didn't believe that they had the qualifications that we would need as an inspector. So the ministry undertook an inspector training program and brought on three inspector trainees in 1990 and another six in 1991.

1120

Mr Cordiano: So what you're saying is that you feel that you're inadequate in terms of the number of inspections that are taking place, as you see a real need for increasing the number of inspectors.

Mr Walter: I don't like the word "inadequate," because I believe that the staff are using an assessed need or a risk assessment now. We are targeting the areas where we need to put our resources.

Mr Cordiano: Why do you need more inspectors, then?

Mr Walter: Well, because it can always be a better system. I will admit that in the past number of years, especially when there was very heavy construction in the province, we were forced to spend our time doing the initial inspections rather than the periodic inspections, so that some of those periodic inspections may have been delayed for a period of time. So we want to address that.

Mr Cordiano: So when resources should have been applied previously, they weren't, in terms of increasing the number of inspectors. For what reason? I mean, inspectors can pay for themselves—we've heard this as well—through inspection fees. And yet you weren't able to increase the number of inspectors when the province needed those inspectors the most.

Mr Walter: You must remember, sir, you don't bring on an inspector and have him ready to go in the first 30 days. You've got to bring people on who are able to be trained and then—

Mr Cordiano: Yes, but you can forecast what's happening in the economy in terms of increases in economic activity at the beginning of a business cycle, understanding that there will be, in fact, a need for a greater number of inspectors towards the middle or end of that cycle.

All I'm saying here is, look, really we had a situation where there was a shortage of inspectors. You recognized that you had a shortage of inspectors. Can we establish that? You need more inspectors and in fact you're moving to increase the number of inspectors.

Mr Walter: In 1985 there were 31 inspectors. In 1990 there were 25 inspectors. In the interim time we have brought on the training program; we are increasing it by nine. We would like to bring those nine on to see if that is a satisfactory number. We believe that with the implementation of the Index system and with other efforts we're taking, that may be the

best number. It will bring us back up to a figure higher than we had in 1985.

Mr Cordiano: As a consequence of that, what we're talking about—

Mr Mike Farnan (Cambridge): We lost most of those inspectors during the Liberal administration.

Mr Cordiano: Mr Farnan, I'm not interrupting you when you speak. Please allow me the same courtesy.

Interjections.

The Chair: Mr Cordiano has the floor. The witnesses will answer the questions, the members will place the questions, and all interjections are out of order.

Mr Cordiano: The point I am trying to make—I'm trying to assure the public that with the number of inspections and the risk factors involved, risks to safety, that the public can be reassured—

Mr Farnan: But what you're not saying is that during the Liberal administration—

Interjections.

The Chair: The member is placing a question.

Interjections.

The Chair: Mr Farnan, you're out of order. You're completely out of order. Could we allow the witness—

Mr Cordiano: Mr Chairman, I'm being provoked to the point where I can no longer hold back what I am about to say.

The Chair: Let's just—

Mr Cordiano: The level of risk to this province has increased ever since that administration was elected, in a whole host of areas.

Mr Farnan: We are rectifying what happened under the Liberal administration, and that is taking place.

Interjections.

The Chair: We'll just wait. We'll just wait.

Mr Robert V. Callahan (Brampton South): I thought this was a non-partisan committee, Mr Chairman.

Mr Farnan: We've lost the inspectors and now we're putting those inspectors back into place.

Mrs Margaret Marland (Mississauga South): You're not on camera.

The Chair: Order, please. Mr Farnan, would you like to be a witness this morning?

Mr Farnan: I wouldn't mind.

The Chair: Well, you can join the witnesses if you wish. As far as I know, you're a member of this—

Interjection.

The Chair: Order, please. Mr Farnan, the members place questions to the witnesses and the witnesses answer the members. If we wish to have a discussion among the members about certain policy matters that did or did not take place, we can reserve time for that. Mr Cordiano has the floor. I'm going to add three minutes to Mr Cordiano's time.

Mr Cordiano: Thank you, Mr Chairman. The connection or the correlation I'm trying to make is that the number of inspectors relates to the level of safety and risks associated with the frequency of inspections, so the risk is increased

when the frequency of inspection is reduced. Even though you claim the standards we have or the safety standard code is one of the highest compared to other jurisdictions, the fact of the matter is that if you do not have frequent inspections, you cannot reassure yourselves and the rest of the public that the safety standard code is being met, because you're relying on manufacturers' specifications.

The other aspect of this is installation. We heard numerous cases, quite a few in fact, where installations were the problem. In one instance, improper installation led to an accident resulting. Therefore, we cannot be reassured that this aspect of the entire operation is adequately being met.

Mr Walter: Let me respond, because I think what you're indicating is that we could hire an unlimited number of inspectors. They'd bring in their own revenue, so who cares. You would obviously be aware that this revenue has to be paid by somebody and we obviously don't want to bring on staff who are not required. I think we have a responsibility to use the resources we have. I have another whole part of a division to look after with many other inspectors and I want to make certain that I have the right resources in the right place. I would rather ensure that we had an inspector at a nuclear power station to make certain that was built properly, if that was the choice I had to make, given the level of safety equipment—

Mr Cordiano: Is that a choice you'd be making?

Mr Walter: Certainly, it would be a choice I'd be making in the assignment of staff.

Mr Cordiano: What I'm trying to say to you is that if you add additional elevator inspectors, they certainly bring in additional revenues to justify that. In fact, you have a backlog for inspections which can then overcome the revenue shortages you are referring to.

Mr Walter: Let me explain that I think the system we have in place—we've talked about the elevator safety code. It is the best in North America. We require industry to do things that other jurisdictions do not do. We have the ability to react faster. We've adopted the national elevator safety code. Ontario has enhanced that and in fact Ontario led the way to the development of that.

We have the ability for the director to issue rulings, so we don't have to come back and do regulation changes. We lead the country in requiring safety equipment to be on the elevators. We require retrofits which no other jurisdiction does. We require the industry to report that those retrofits have been completed. We have enacted different regulations to improve the contractors' serviceability record. On April 1 of this year, there will be the formal use of log books. There is a different way of maintenance people doing inspections.

We have the ability to respond to those things very quickly. To simply throw staff at it in the middle of our developing a sophisticated risk assessment system may not necessarily be the best use of those resources. That's my point in assigning resources where they're best needed.

The Chair: Thank you, Mr Cordiano. Your time has expired.

I have one short question of the deputy before we move on. You mentioned earlier that there had never been a mechanical

failure. Could you give us your definition of what a mechanical failure is?

Mr Walter: Perhaps the best way for me to respond—I have my figures here someplace, but I know them off the top of my head.

The Chair: I'd like the ministry's definition of "mechanical failure."

Mr Walter: Mechanical failure would be where the safety equipment failed and caused that fatality. In the four fatalities since 1989, there were two in Ottawa in 1989, one in Mississauga in late 1991 and one in Kitchener in late 1992. I shouldn't speak about the last one, because that is still under investigation and we're looking at different parts of the equipment, so I shouldn't refer to that one. Of the three before that, the one in 1991 was joyriding. The two in Ottawa in 1989 were both—

1130

The Chair: I appreciate that. I didn't want to use the committee's time. All I wanted was a definition of a mechanical failure. I think I've got that. Mrs Marland, 10 minutes.

Mr Farnan: Point of clarification.

The Chair: Point of clarification?

Mr Farnan: Yes, like yourself. The delegation mentioned that the standards in Ontario were the best in North America. Does that mean of all the jurisdictions in the United States, of all the provinces in Canada, the standards in Ontario are the best and the highest?

Mr Walter: Yes.

Mr Farnan: Thank you very much.

The Chair: Mrs Marland, 10 minutes, or Mr Tilson.

Mr Gregory S. Sorbara (York Centre): Can I have a point of clarification on Mr Farnan's question?

The Chair: I'll allow one short point.

Mr Sorbara: Just one short one?

Mr Derek Fletcher (Guelph): They're never short, Greg.

Mr Sorbara: The answer to Mr Farnan's question was yes. Just based on what Mr Farnan was saying earlier on, were all those new standards and this very high standard for Ontario developed since September 6, 1990, or did they exist beforehand? Is this a new thing that's happened under a new socialist regime in Ontario, or was there a great tradition in Ontario going back, actually, to a Tory administration of these high standards?

The Chair: Thank you.

Mr Walter: I'm not certain I can answer that, Mr Sorbara.

The Chair: Mr Tilson?

Interjections.

Mr Sorbara: I guess Ontario's always had the highest standards.

Mr Farnan: We've just improved on those high standards.

The Chair: We'll just wait.

Interjections.

Mr Farnan: Mr Chair, I believe Mr Sorbara is correct. There has been a good tradition in terms of previous administrations, but we want to improve on that.

Mr Sorbara: Then call an election.

Mr Farnan: You did, and you lost.

Mr Noel Duignan (Halton North): You never recognized that fact.

The Chair: There'll be no more points of clarification this morning.

Mr Sorbara: How about one at 2:15 this afternoon?

Mr David Tilson (Dufferin-Peel): The question I have for Mr Walter or Ms Wolfson is that you've talked about the regulations you've been developing, and the minister, I recall, spent a considerable—not a considerable, but some time in her brief opening statements to the estimates committee talking about the development of various codes, a B44 elevator safety code, whatever that is, and a number of other things. I don't want to get into that. I probably wouldn't understand half of them, but that isn't the criticism. It may well be that you have the best standards in North America or the world. That isn't the criticism the Provincial Auditor is directing towards your division.

The criticism is a concern of safety. Ms Wolfson says that safety has not been compromised. I'm sorry. The Provincial Auditor's report has raised a number of questions and has challenged that, and you simply can't say that safety is not being compromised. Whether you're talking of the current regulations or the current administrative procedures you've developed or the old ones, the auditor has commented on page 44 of the auditor's report, "Ministry standards call for periodic inspection of virtually all elevators in the province at least once every two years," whereas in fact, to use Mr Walter's words during the estimates committee and today, it's being done every five years.

You can have all the wonderful regulations in the world, and you may well. The difficulty is that they don't appear to be complied with. That's the allegation that's being made by the Provincial Auditor's staff, that you're not complying with your own regulations. I'll list right off that the very immediate concern is that of inspections.

Mr Walter: I think what the auditor meant by the two-year standard they quoted is not nor has it been a standard. You used the word "regulation." It is not a regulation that we inspect elevators every two years.

Mr Tilson: No, I read it out of the report, "ministry standards."

Mr Walter: Yes, and I'm saying it is not a standard. That's my point.

Mr Tilson: So the auditor is wrong.

Mr Walter: At one point there was an average inspection cycle of every two years, and maybe that's where the information came from.

Let me explain to you that if we inspected every elevator every two years, we'd be going to places we didn't need to go to and we'd be missing the ones that we need to get to. Some elevators are inspected every six months and some can wait for every five to six years.

There's a complaint in the auditor's report at some point where it says that of 6,000 new elevators installed in the last four years, two thirds haven't been reinspected. Obviously, those are the best elevators in the country. They have the

safety equipment on them. There is no need for us to go back and inspect those within the first three or four years of their being installed, because of the thorough initial inspections.

The two years was an average of the ministry, but we do get to buildings. We have an assessed need, a risk assessment, however you want to frame it, where we go to buildings that need to be inspected on a more frequent basis. We could be there every six months.

Mr Tilson: Mr Walter, I'm trying to find the section in the report, and I hope I won't misquote the Provincial Auditor. The Provincial Auditor, I believe, is saying that your inspection procedure—I'm not talking about your standards and regulations, whatever the words you've developed; I'm talking about what you're physically doing, the inspections—is not adequately comparable to the rest of this country, that you're not even close. In fact, I look at the chart on page 43, which is entitled "Approximate Number of Elevating Installations Per Inspector—By Province," and Ontario isn't doing very well, according to the Provincial Auditor.

To repeat some of the questions that have been made: "The number of elevators has risen by 45% since 1978. However, the number of elevator inspectors has decreased by 34%." I don't want to get into political philosophies; I'm talking about keeping the elevators in this province safe. The Provincial Auditor has raised some very serious concerns—page 45—and not just the Provincial Auditor, but elevator manufacturers and branch managers. I'm really worried by the very last paragraph on page 45, which I'm going to read to you: "Branch managers estimated that around 10,000 elevators may not meet required safety standards. Furthermore, there have been cases in which elevator manufacturers have notified the ministry of potentially dangerous deficiencies in these devices after decades of operation."

I don't want to hear about all the wonderful paperwork you're developing. I want to talk about these concerns that the Provincial Auditor has brought to the public's attention.

Mr Walter: I need to repeat to you, Mr Tilson, that we are assigning our inspector resources to the places they need to be. That's something you have to hear very strongly. Where there are problems with elevators in buildings, we know of those. That's where we target our resources. I think the report shows that we're targeting our resources to those places.

I'll refer specifically to that last comment you made about the 10,000. I think that's an appropriate issue to raise. One of the branch managers did estimate that up to 10,000 elevators may not meet the standards set on electronic components. What we have found is that elevators have become more sophisticated over the last number of years. We have believed for the last year or two that we should probably be investing more resources in the hiring of an electronic engineer. But what that means—the 10,000 elevators that may not meet those standards—is that all those standards will have already been reviewed and signed off by a professional engineer in the industry.

When we talked about not having the electronic engineer expertise in the division, we just want to check what some other engineer has already said he professionally approves. That's the point. That's why taking one statement like that

can make it sound worse than it is. Elevators are safe. What that says is that they may not meet the required safety standards, but you have to go back up to that first part. It all refers to the specialized electronic engineering expertise. The two paragraphs go together.

Mr Tilson: The Provincial Auditor has made the very damning statement, "The branch lacked specialized electronic engineer expertise to thoroughly review and test new elevator installations."

Mr Walter: Yes.

1140

Mr Tilson: I know in your comments you're saying you're going to hire somebody. But the fact of the matter is, it's taken you all this time to do it.

I guess the next question I have is, okay, you're going to hire somebody. It says in one of your responses that you're going to hire; maybe you already have. You say it in the very last statement, that you're going to hire an electronic engineer at the beginning of the next fiscal year. Do you feel that the hiring of that individual will satisfy that concern that the Provincial Auditor has put forward? Will the Provincial Auditor still be able to make this allegation against you with this person having been hired?

Mr Walter: No, I don't believe so. I still have to go back and repeat that what we're doing is a second check of something that a professional engineer has already approved. When we hire—in fact the competition is out now and we hope to have the person on board soon—they will go through and they're not going to go and inspect elevators. Maybe that's the other point. I'm not sure whether that's clear. They're not going to go out and hit 10,000 elevators. They will sit down with the sophisticated equipment we have in the office and review the design. That's what we're talking about. We are not talking about sending out one electronic engineer to 10,000 elevators in the province.

Mr Tilson: In this same paragraph the auditor is saying that technology has changed over the last 30 years.

Mr Walter: Yes, we agree.

Mr Tilson: I may be reading the improper words in by the Provincial Auditor, but the Provincial Auditor has said, with all due respect, that the branch in its inspections has not kept up on that technology, that it has not met the demanding changes of this technology. I mean, things do change in 30 years.

I'd like to emphasize on the point. The Provincial Auditor has made a very serious allegation that you're not keeping up with technology, and you're saying that you're hiring one person in the next fiscal year. My question to you is—again this paragraph under page 45 dealing with resource expertise—can those allegations still be met with this person doing the job description that you'll be giving that person?

Mr Walter: Yes, I believe very much, and I want to go back. When the Provincial Auditor speaks about "resource expertise" on that section you're referring to, there is no reference to the inspector side. That reference, I recall from my discussions with the Provincial Auditor, related entirely to the one area of electronic engineering expertise and we are addressing that by hiring an electronic engineer who will be

able to review the designs submitted by other professional engineers.

Mr Tilson: Thank you.

The Chair: Your 10 minutes have expired. Mr Fletcher, then Mr Farnan.

Mr Fletcher: I will just go from what Mr Sorbara was saying. I agree that the elevator inspections and everything else has been going along quite well and it's getting better. We can witness that.

As far as from the auditor's report, where do you see the legislation or the work in elevating devices going from here? What improvements are we going to make? I know you've already mentioned some. But what are the goals of your department further down the road?

Mr Walter: I had spoken a certain amount about the Index system. The Index system is a computer system of automated licensing, registration and inspection, and we have been implementing it for my whole division, the technical standards division. You must remember that we cover everything from elevating devices to the air-conditioning at the SkyDome to nuclear power stations to propane and natural gas and petroleum. We cover such things as the chairs you're sitting on and the teddy bear you probably gave to your grandson.

Mr Fletcher: Thanks, I don't have a grandson.

Mr Walter: I have to give you a range of what we're doing.

Ms Wolfson: He's not that old.

Mr Walter: Sorry. What we have done since 1990 is put our resources into a three-phased implementation of this system. The first two phases are completed. The third phase for our elevating devices branch will be completed in May. By the end of this year we'll have a very sophisticated system of assessing risk and assigning our inspectors.

The second part was about the inspector training program, and I won't go into that much except to say that of the nine trainees, three of them will be assigned. In fact, there are competitions open in both Ottawa and Thunder Bay to cover all the vacant districts.

Mr Fletcher: As far as elevating devices, approximately how many people do they move per year?

Mr Walter: We estimate that about six billion people take a ride in an elevator annually.

Mr Fletcher: How many deaths?

Mr Walter: There is, I suppose, on average one a year.

Mr Fletcher: So it's a lot safer to ride an elevator than to ride, perhaps, an automobile or a bicycle in downtown Toronto.

Mr Walter: Or perhaps even walk across the street.

Mr Fletcher: Or walk across the street. Thank you.

Mr Walter: I have not spoken about elevator mechanic training.

Mr Farnan: I wish to pursue that particular avenue.

Mr Walter: Okay, thank you. There are really three things we're doing to address the issue. The other way of ensuring that elevators are maintained to the code that we feel is the best is to ensure that the mechanics working on the elevators out there are trained to the highest standard. That

was a recommendation made by a couple of coroners' juries, dating back to the deaths in the late 1980s, that the mechanics in the province be better trained. So we've been working very closely with the ministries of Skills Development and Labour, with industry representatives and with union representatives to develop a very comprehensive training and certification program for elevator mechanics, and we'll be bringing some recommendations forward to the minister in the near future.

Mr Farnan: This was precisely the area I wanted to pursue. I believe that all members in all political parties have a genuine concern for safety, and I take it that the questions emanating from the opposition benches have that basic concern. I am encouraged, let me say very clearly, that the standards in Ontario compare so favourably with other jurisdictions. It's not so long ago I sat in opposition and asked similar questions to those being raised by opposition members. I think it's healthy to have this critical analysis so that if improvements can be made, they indeed will be made.

I noticed from the information that I received and reviewed that there was some reduction in inspectors during a period of time. Without appearing to be partisan, during the previous administration there was indeed a reduction of inspectors. I was critical of that at the time, as I sat in opposition, and I am very pleased that, having been a member of a government that was duly elected back in September 1990, the minister and the ministry have responded specifically in the area of bringing back the number of inspectors to a par where it had been previously.

This isn't to deny Mr Sorbara's point that good initiatives were taken by previous administrations, both Conservative and Liberal, and of course the reality of the matter is that we want not only to take what is good, but it makes sense that we want to improve what is there. If there are legitimate areas of concern, then we want to address those.

I want to ask the delegation if you could elaborate, please—because I think this is something that would be of great interest to the public—on the whole area in terms of the training and certification program. I'd like to know more than simply that we're working with industry and labour. What are some of the avenues that you're pursuing with industry and labour, in a more specific way, that will give confidence to the public that when they ride the elevator, this will be a critical part in their safety?

Mr Walter: I suppose I should be careful of what I say, because the next meeting of the committee is not until the end of this month, and so I'm going to give you my own impressions of action thus far, and there's obviously not total agreement.

This tripartite committee, made up of government, industry and labour, has worked a couple of ways. They've set up a curriculum committee that is reviewing the content of a training program. There is already a training program offered by the International Union of Elevator Constructors. It's an international-based union, and that union has been sitting on the committee. We're looking at ways of enhancing that training and of expanding the qualifications.

We have another group, a regulation committee, that is simply sitting back and working on the kinds of regulations we needed to put this in order.

The kinds of things we would be looking at—and please, this is still in draft form—would be that before a mechanic would be allowed to work on his own he would be required to have X number of hours working in that particular area. If that was an installation, then he would require that. Those hours would have to be under specific supervision of someone we had already qualified. I don't want to get into the specifics of the number of hours because we're still going through that.

We're really looking at hands-on training. It is not a theoretical kind of program where we would expect people to go to school for long periods of time. It is really getting people out there in the industry, ensuring that the companies are providing the right kind of supervision and training and then having a way of testing people at the end of that, and they would have various levels of going through the training and certification.

Mr Farnan: In the union that you spoke of in terms of the certification, are there currently benchmarks within the certification program which is monitored or given by that union that are to the satisfaction of the ministry?

Mr Walter: Well, the training program—I shouldn't say it is just union, because that's unfair. It is industry as well. The two of them cooperate in that training program. I shouldn't give you the impression that it is only union-run. We believe that it can be enhanced—I guess that's the best way to say it—or we wouldn't be doing this. If we felt that it was the best training program for elevator mechanics, if it applied to everybody in Ontario we wouldn't be bothered getting into this. I think we all believe there are ways that the system can be improved.

Mr Farnan: Could you tell me, when was the last time there was a review of the certification program by industry and labour? The program that is in place by this group, when was the last time this was reviewed and the benchmarks for that program reviewed?

Mr Walter: I'm not certain I can give you that information. I've been in my present position a little more than a year. I would assume that because industry and labour both participate in this program, they would have an ongoing review, but I'm sorry; I can't give you a definite answer.

The Chair: Time has expired for this morning.

Mr Farnan: One final question, because I think it's a very relevant one. Given the fact that the technology in this field is fairly rapid in its transition, I would think that certainly a tripartite involvement is needed. I think you need business, labour and the ministry working together to ensure that the new technologies are incorporated into the benchmarks of those individuals who are training for qualification, because it is absolutely critical that elevators being installed are installed by individuals who are thoroughly familiar with the up-to-date technology.

The Chair: Thank you. Time has expired for this morning. The committee will reconvene in this room at 2 pm.

The committee recessed at 1155.

AFTERNOON SITTING

The committee resumed at 1403.

The Chair: The standing committee on public accounts is called to order. The public accounts committee is continuing its review of the Provincial Auditor's report on the elevating devices branch of the Ministry of Consumer and Commercial Relations. We had a number of questions this morning from the members and I know members are still interested in pursuing the matter. Mr Callahan, you have 10 minutes.

Mr Callahan: I'd like to get out of the history of this thing. I mean, it's one thing to dwell on what took place in various governments. I've always considered this committee to be terribly non-partisan. The aim of this committee is to ensure that government dollars are accounted for and that programs are effective.

Let me ask you, first of all, have there been any efforts on the part of the Ministry of Education, through either universities or community colleges, to set up a program for inspectors? The reason I say that is that it seems to me that with the shortcomings in safety, if there are any, it certainly would be desirable to have more inspectors. Your difficulty seems to be that they've all gone into the private sector where there were big dollars to be made, I guess. Are there any programs that have been set up that you're aware of or that are being set up by the ministry to provide training for people who might want to get into this field, since the job situation seems to be so horrendous and everybody's trying to figure out what their young people should do?

Mr Walter: We have been working with the Ministry of Education and the Ministry of Colleges and Universities, particularly around the community college level. One of the problems was that we probably weren't going to be hiring enough inspectors to warrant the community colleges going into a full class training program, but they have been of some assistance in establishing the trainee program that we have now and have expressed considerable interest in assisting us in the future if we do hire more.

Mr Callahan: Is that going to help you, though? I would think an inspector has to be more than somebody who just comes on staff for a week and learns the job.

Mr Walter: What we have found is that with the nine trainees we hired we particularly recruited from technical backgrounds in community colleges. They're community college graduates.

Mr Callahan: Do you then train them, give them the upgrading training?

Mr Walter: Then we give them the upgrading, hands-on training. We have a training manager within the branch to provide that. That's all done out in the field.

Mr Callahan: Can I assume from this that things are going to get much better and that should you be audited about a year from now, there will be sufficient inspectors to ensure that the inspections take place more than—as I recall—every three to five years, or whatever the report said?

Mr Walter: Some may still be inspected every three to five years, because that may be all they need to be, but in a

year from now, yes, those nine trainees will be on board. What we're finding is that they bring such a different background that in fact they are teaching our present inspectors better ways to do the job. That's not a judgement of mine; that is a comment from a long-time inspector within the branch.

Mr Callahan: I have concerns in one very specific area in the report, where it said that some 22 contractors continued to be used as inspectors, whereas there were innumerable expressions of dissatisfaction with their work. That, to me, is rather scary. Maybe you'd like to clarify that. Is that a fact?

Mr Walter: The contractors aren't inspectors, so I want to clarify that. About 90% of the elevators in the province are serviced by registered contractors, contracting companies. I think there are about 200 of them in the province. They hire the mechanics to do the maintenance and the inspection as part of that maintenance. You used the word "inspector." I just don't want you to—

Mr Callahan: I'm looking more at the question of the 22 contractors who serviced. I would think servicing an elevator is as important as inspecting it.

Mr Walter: Some of those 22 contractor companies did get very poor ratings for parts of what they were doing. I think in the audit report the auditor suggested that we should take more "disciplinary action," in the words of the auditor, by revoking the registration or the licence of that contracting company.

Mr Callahan: What he does say is that their performance was rated as unacceptable since 1987. That's a long time to keep somebody on contract if his rating is unacceptable.

Mr Walter: What that refers to are the contracting companies that do the maintenance, and we deal with it on a site-specific basis, on a case-by-case basis. If we go in and revoke the registration of one maintenance contracting company, we not only affect that one building where it's doing the work; we affect the buildings all across Ontario, a city or wherever it's doing that work. If we don't have any concerns with the maintenance in five out of seven buildings, then we do it on a case-specific basis and speak to the contractor about those two specific buildings. That will show up as an unacceptable rating for those two buildings. We have taken action.

1410

Mr Callahan: Mr Chair, would you do me the favour of letting me know when there's two minutes left, because I have one item I definitely want to ask a question about?

The Chair: You might get that item on the next round, Mr Callahan.

Mr Callahan: Well, it's of importance and I have to go and do something else, so if you'd let me know when I have two minutes left, I'll—

The Chair: I certainly will.

Mr Callahan: All right. You'll agree with me that servicing is as important as inspecting. It's like if I take my car in to have it serviced and the mechanic in servicing it finds

something wrong; that's going to make my car safer. It would seem to me to be the same case in an elevator.

I don't like elevators to begin with. In fact when I ride them in this building, which I find absolutely incredible—they're the worst elevators I've ever travelled in and half the time they don't stop or they stop a couple of inches below the floor. If we can't get them serviced here, I feel sorry for the people in other areas of the province. But would you not agree with me that servicing is important, and that if 22 of these people since 1987 have been considered to be unsatisfactory, those people should have something more than just a bad rating, should in fact be told they can't do the work any more?

Mr Walter: We deal with them on a case-specific basis. I have to repeat the answer that the serviceability, yes, is very important to ensure the safety, but if they only have a small number of their staff not performing to a standard, then we should deal with that on an individual basis and not penalize the whole company or the staff who are doing the service properly. I keep coming back to saying it's the case-specific that needs to be addressed.

Mr Callahan: Finally, before I run out of time, the fees for elevator inspections were increased dramatically as of September 1, 1992. Can you explain to me—and maybe you can't—why the cost or the fee for an elevator for the disabled, which is a lift, would have been increased the same dramatic amount as those for commercial elevators?

It seems to me the disabled have lifts which may take them a very short distance. I just don't understand the reason why, if we're trying to look after people who are disabled and handicapped in this province, we would whack them with the same fee we'd whack the commercial elevator operators with, particularly since it sounds like your fee amounts—even though you don't get them and they go into the great black hole called the consolidated revenue fund, why would you whack them with the same amount or why would it be necessary to whack them with the same amount, people who are disabled?

Mr Walter: I just want to clarify. You said that the fees for elevators went up considerably, and that only applied to the lifts for handicapped. It went from \$50 to \$52.50 for elevators. You're correct. The fee for the devices for the handicapped went from \$52.50 to \$210.

Mr Callahan: They quadrupled.

The Chair: Two minutes, Mr Callahan.

Mr Walter: That is not a licence, though; that is the fee we charge for the initial review of the design, and we were simply trying to raise the fee in line with the review of designs for all other devices.

You should remember that those devices are probably installed at maybe upwards to \$25,000. I would guess the average price is about \$15,000. It was simply a reflection, we felt, of the value we were providing in ensuring that the design was proper and safe in the beginning. It did go up. It was simply a way for us to try and reflect our true cost in providing that service.

Mr Callahan: I certainly hope my good friend the Treasurer is listening, because it seems to me that if people are disabled, they have no way to get from point A to point B other than perhaps using a lift. I can walk up the stairs. It's

probably better for me, and I just don't see the rationale, other than it being a grab of dough just holus-bolus without caring whether or not these people are disabled as opposed to being healthy. I find that really tough to swallow.

The Chair: One minute.

Mr Callahan: That's for the ingestion of the Treasurer, if he happens to tune in to this program. I know you people don't set the policy.

The Chair: Mrs Marland, 10 minutes.

Mrs Marland: I'm afraid, Mr Walter, I'm going to be quite direct with you, because I really think we're pussyfooting around this issue a little today, everybody's being very cool and calm and quiet. I heard you say this morning a couple of times—unfortunately we don't have Instant Hansard so I can't quote you exactly. Twice you made reference to the fact that you have other responsibilities. I know you said something like, "There's a whole range of what I have to do here, you know." You said something about a choice of what kinds of inspectors and where have a priority, and you are responsible for how much you can afford to do. You mentioned elevators versus safety at a nuclear power plant, if I'm correct.

Mr Walter: Yes.

Mrs Marland: You also said that another range of what you're responsible for is everything from the chairs we sit on to the teddy bears we give our grandchildren. Well, right now, none of those are issues that have been identified by the auditor. None of those are the issues that this committee is dealing with here today.

We're dealing here today with something that, by the grace of God, I think we've probably been very fortunate. When the deputy, whom I respect very much says, "There haven't been any fatalities that can be directly tied to elevator maintenance," then I think, thank the good Lord.

That the deputy tells us we have 35,000 elevating devices in this province and the auditor tells us that 10,000 are not inspected is a pretty scary figure. You have sat here today, and a number of times you've said, "We have the best elevator safety code in North America, and we lead the country in retrofits." Well, I'm sorry. Having the best safety code in North America and not enforcing it makes about as much sense as—well, I can give you a firsthand example. We also have fairly good—could be improved—environmental laws in this province, but I've just gone through an environmental assessment hearing with a company in my riding, and it doesn't amount to a hill of beans if it's not enforced. That's the problem. That's the potential risk.

You also said something about "sophisticated risk assessment" this morning. I don't think that's what the public is interested in. I think the public is interested in knowing that instead of denying what the auditor has told you, you really accept it.

You have a colossal statement in your response; I find this absolutely colossal. You say in response to the auditor, "We do not agree that inspection efforts were inadequate to ensure compliance with safety standards," then you go on and give two major points about what it is you're going to do to address the inadequacy of inspection. You can't say on the one hand, "We don't have a problem, everything is rosy in our garden;

we're doing our job, and the public is protected and they're safe," and on the other hand go ahead and acknowledge that perhaps there are areas and outline what it is you're doing to remedy them.

Again on the inspection focus, and I think Mr Callahan drew attention to this, the auditor says that nearly 35% of Ontario elevators were serviced by 22 contractors whose performance has been consistently rated as unacceptable by the ministry as far back as 1987. I want to know why those people are still in business. How is it that 22 contractors whose performance has been unacceptable for five years are still in business? That's not protecting the public.

1420

I think we've been very fortunate here. sorry. Safety standards are meaningless if they're not enforced. I think this is ivory tower paper talk, it really is. The reason I'm upset about it is that the more I get into this report, especially since I've been led through the positions and the answers this morning between your ministry and what the auditor is saying—the auditor is totally independent, thank goodness. The auditor has done a job for the people in this province by identifying areas that are of concern, and then I hear you come in here this morning and say, "Well, we've got the best elevator safety code in North America." Whoopee. The best elevator code we may have, but you can't possibly say what the next sentence is: "We've got the best elevator code in North America, and it's being enforced. We know we're safe." How can you say that if, by the auditor's figures, almost a third, 10,000 of the 35,000 elevator devices you're responsible for, are not inspected?

When you talk about the fact that we've got new technology, we've got electronic this, that and the other—I mean, I'm not an engineer; I don't pretend to be. But I don't have to be, because the auditor has identified a problem here. I don't have to be an elevator engineer to try to decide, on behalf of the public, whether four, five or six years—and we're talking, apparently, about five or six years without inspections. I don't have to decide whether the public is at risk, but I think somebody here has to answer for the responsibility—I've forgotten, Madam Deputy, what number of rides you refer to.

Ms Wolfson: Some six billion annually.

Mrs Marland: So that means six billion human beings have stepped into an elevator with the faith and trust that they're going to be safe. I suppose if you start making comparisons with the number of people who fly in aircraft or who drive cars on our hazardous highways and so forth, you can come up with all kinds of statistics about just how safe our elevators are. But either we have a system where we have safety standards for a reason, or why do we have them? If we have this wonderful standard of the best elevator safety code, there must be a reason we need it, and if it exists in the first place and we need it, then surely we need to know whether it's being met.

Interestingly enough, I have a major elevator company, the Dover company, in my riding, which I suddenly recalled at lunchtime. I wish I had had time to call them to see, from their perspective, what they feel about the protection of their industry by reputation. But the point is that if we have new elevators and new technology and it's dependent on sophisti-

cated electronic improvements, then it also follows that the training of the inspectors has to be up to the sophistication of the equipment. And is there any proof that anything, because it's new, is necessarily any safer, unless it's inspected?

I come back again to the fact that everything you in the office say down here and that you have written on paper sounds great until the auditor starts to identify the concerns that are very evident. As I say, they are independent. People can perceive that I'm playing a partisan role, but I can tell you, if I were sitting over there, I would be expressing the same concerns I'm expressing now. This has nothing to do with a partisan attack on whoever the government is at the moment, because as far as I know, you've probably all been in the civil service for more than seven years.

But somebody's got to explain to me how one inspector in Ontario has apparently—this graph the auditor gave us says that the approximate number of elevating installations per inspector in Ontario is 1,400, and in British Columbia it's about 600 and on a various scale between three other provinces. What is it? Do they have simpler elevating devices in British Columbia? I doubt it very much, yet in British Columbia you have 600 per inspector and in Ontario we have 1,400.

The final thing I'd like you to comment on is that if all of this is true, you might say with justification, as some of the other ministries are having to say—I've gone through this with estimates—that you have cutbacks and you can't meet the requirements for staffing because of cutbacks. That doesn't follow, that just doesn't carry with this particular question, because we know the inspection fee covers the cost of the inspections. In your budget, you actually have a reduction of \$272,000 and an increase of 1.1% for administration; you reduce the budget by \$250,000 under the inspection of elevating devices.

The Chair: Thank you, Mrs Marland. Mr Hayes.

Mrs Marland: Mr Chair, surely that wasn't 10 minutes.

The Chair: It was 12 minutes.

Mr Pat Hayes (Essex-Kent): Is my time going on now, Mr Chair, while she's interrupting?

The Chair: No, I'm adding to your time, Mr Hayes.

Mr Hayes: Thank you very much, Mr Chair. I will allow some time for the witnesses to respond.

Actually, along the same lines as Mrs Marland, the Provincial Auditor has indicated that there has been very lenient disciplinary action against violators, elevator contractors. What really concerns me is that the ministry took limited disciplinary action against 22 contractors who serviced 12,000 elevators despite the fact that many of them have had their performances rated as unacceptable since 1987. What I'd like to know is why this has been allowed to continue since 1987. I would like to know what steps you're going to take to correct this situation and why you haven't laid charges or why licences haven't been cancelled or revoked if these are facts.

Mr Walter: I'd like to comment on that. I don't believe we have been lenient. I want to repeat that of the 22 contracting companies, we're not talking about the total performance of everybody who works in that company. There might be only one or two people doing maintenance in that company

that we find unacceptable. We take case-by-case action against them.

You asked what we have available to us. We obviously have the formal method of simply requiring the company to attend at our offices and review the unacceptable rating. That is the best thing we can do. That gets very good action. We can revoke their registration. We can take them to court. There have been 19 prosecutions raised in this branch in the last three years. We have six more ongoing right now. Of those 19, 18 were successful, from our point of view: The company was found guilty and there was a substantial penalty assigned. We believe it's not just revoking a registration to discipline contractors.

Mr Hayes: As a former health and safety representative, I've always said there's no sense having these rules and regulations if we're not going to enforce them. What you're saying is that the findings of the auditor are not really fact. Is that what you're saying, or is it a lack of understanding of the system?

Mr Walter: I think the Provincial Auditor did an excellent job, but there is a different opinion, I believe, on what is the best way to discipline the contractor. I don't disagree with the Provincial Auditor that one way to do that is simply to revoke the registration of that contractor. There are consequences of that action.

Some of the consequences are that if we revoke that registration, we take away the ability of that contractor to service other buildings where the staff are performing to the standard that we expect. If we take away that registration and that elevator is not serviced, then the elevator is put out of business. So we don't hurt the contractor as much as we hurt the 300 people or whatever living in that building or working in that building. It's not an action without serious consequences.

1430

Ms Wolfson: If I could just add to that, Mr Hayes, it is a balance.

Mr Hayes: Sorry?

Ms Wolfson: There is a balance that obviously we are looking to and the balance must always be on the side of safety. There is no question in our minds that one always has to weigh it on the side of safety, but we do have gradations of ways of dealing with contractors who, depending on the circumstance, can be brought and can have different penalties assessed according to the gravity of the offence or the lack of knowledge or whatever. We're attempting to use those instruments in an appropriate manner.

Mr Hayes: Okay, fine. Thank you.

Mr Walter: If I could add one final clarification, I want to make clear that "unacceptable" does not necessarily even relate to safety. It may relate to such operational things as housekeeping. The two don't necessarily correlate.

Mr Fletcher: That's a pretty good explanation. I can see where there could be a mixup in the way things work.

Let me go to another point from the auditor's report, that ministry standards generally require that elevators be inspected every two years. Is that a ministry standard?

Mr Walter: That's a good question and it gives me an opportunity, I think, to provide some clarification. There was

a previous computer system that we had within the branch that brought figures forward that we would do the inspection every two years. I don't want to use the word "standard" because that was never established. I can only tell you that from my sort of 15 months on the job, what I have understood is that the two years was an average time of doing the inspections. But the word "standard" may have come into use in the old system.

We have recognized that the old system did not give us what we needed to best assign staff, so we've invested considerable time and money in putting in a new system, the Index system, which will help us do that. But whether you use the word "average" or whether you use the word "standard," we will still come back and say that some need to be done every six months and some need to be done every five to six years.

Mr Fletcher: So had it been written somewhere that the average or the standard was three to five years, then the auditor's report would have gone by that standard rather than something that has been there for time immemorial but has since had to change because of the way things have changed in the elevator system.

Mr Walter: I think the auditor would agree that when they did the report last summer we were just getting—I think we only had Release I of the new system going.

Mr Fletcher: Right; so things have changed.

Mr Duignan: I just have a couple of quick questions. The shortage of inspectors: Would that be due in part to the fact that the inspectors can get more money in the private sector rather than working for the ministry?

Mr Walter: It probably isn't true now, but it was true at one point, yes.

Mr Duignan: What was the discrepancy?

Mr Walter: The salary of an inspector was probably about \$48,000. I know that in the late 1980s when construction was really going, especially in Toronto, with overtime, some of them were making \$80,000.

Mr Duignan: Did that in some way contribute to the decline?

Mr Walter: Obviously, we weren't getting people who wanted to come and work for us when they could go and make substantial money someplace else.

Mr Duignan: Has that salary range now closed because of the recession, and people are hanging in for roughly the same salary amount?

Mr Walter: A couple of things happened. The ministry looked at reclassifying the inspectors. We did it for every inspector in the division because we were faced with the same thing. They are making, I think, maybe \$4,000 or \$5,000 more. They're up in the low-\$50,000 range now. But of course the different economy has made it much different as well.

Mr Duignan: If the building boom takes off again, could the same situation arise again? All these people who are now being trained by the ministry, when they have become trained, could they disappear to the private sector?

Mr Walter: I suppose that might happen, yes. I suppose if we ever went back to that kind of economy, it might.

Ms Wolfson: I may be incorrect, and I'll ask Mr Walter to correct me, but I think that because we are now much more heavily in the business of training our own and are getting junior people who grow with our system, we hope to invest in our people and have them invest in the branch. Indeed, if the private sector burgeons, and I guess we all hope it does, not from the elevating devices branch's perspective but from that of the economy in general, we're always faced with competing.

Mr Duignan: In fact, the taxpayers could invest money in training these individuals and lose them with an upturn in the economy?

Mr Walter: But there's a positive aspect to that, and we've discussed that within the branch. I don't think the province could make a better investment than spending a year or two in training inspectors to come in and work within the division, to work for five years learning all this, learning the standards, participate in the writing of standards and the monitoring of contractors and then have them move out into the industry.

There's nothing that says people coming into government from the industry is the best way to do it. There might be a very substantial payoff for us to do that short training and then let them go back out and have more and more people who we have trained to a high standard out there doing the service.

The Chair: Thank you. We'll start our second round of questions; 15 minutes, Mr Sorbara.

Mr Sorbara: Thank you, Mr Chairman. I don't think I'm going to be 15 minutes on this topic.

Mrs Marland: Five minutes.

Mr Sorbara: Mrs Marland, who didn't even get through her first question last time, could—

The Chair: Members usually start off by saying that, but they usually take all their time.

Mr Sorbara: I haven't heard Mrs Marland say that ever. She can have whatever of my time I don't use up, subject to your discretion. You decide how long we'll question. You are the keeper of the clock.

I have a rather different perspective, sir, on this issue, and I do not mean any disrespect whatever to the Provincial Auditor who, in his report, has examined a variety of areas that in his view and the view of the Provincial Auditor's department need some consideration by the public. That's why there's a report here and there are conclusions that: "Although ministry standards generally require elevators to be inspected every two years"—we've had discussions about that—"inspections were done on a five- to six-year cycle. Other provinces are generally on an annual inspection cycle." That seems to be the heart and soul of the auditor's conclusions.

I began by saying I had a different perspective on this issue and the operation of the elevating devices branch of the ministry. I had the opportunity, for a year and a couple of months, to be the minister responsible for the elevating devices branch. I simply want to put on the record before this committee that I was, during the course of that year, extremely impressed about how well this branch did its work. Even during that

time we had lengthy discussions about inspections and the need for inspections.

What gave me concern was the kind of speech Mrs Marland gave, and this was heard by the general public, suggesting somehow that one is taking a risk getting into an elevator, being one of the six billion rides in an elevator, in the province of Ontario and that somehow, because of the failure of this ministry or where this ministry is wanting, that is a larger risk than is necessary in Ontario.

My own conclusion, at least between 1989 and 1990, was that yes, there is a risk. There's a risk in walking down a sidewalk, there's a risk in getting up in the morning, and there's a risk in going to bed at night, but when you compare Ontario with all of North America, and therefore all of the world, we really do have the highest standards.

Although the public might not really be aware of this, inspections—that is, the government inspector going out and looking at a piece of machinery or looking at a building in progress or inspecting whatever it is that the government inspector inspects—are only one of the ways in which we ensure safety. Some of the other ways we ensure safety are in code requirements, in raising standards for the device itself, in insurance standards, in self-inspection, in regulating contractors, and a variety of other mechanisms that we use to regulate behaviour and regulate machinery that is inherently dangerous.

1440

Just for example, sir, I could tell you that in the province of British Columbia, in the city of Vancouver, it's required that every year you take your vehicle in for an inspection. In Ontario we don't do that, but that doesn't mean to say that we have a higher rate of accidents or that our automobiles are any less safe. That's just not the case, and I think the data would substantiate my conclusions in that regard. So I am not as concerned that we have a different cycle for inspections, because what we do in other areas, including the regulation of contractors and health and safety and a variety of other things, ensures that we have the highest standards and the best system of enforcement of any jurisdiction in North America, and my experience as minister over the course of a year and a couple of months confirms me in that view. I don't think we've got particularly better over the course of the past two years under the New Democratic Party, or that our standards have significantly deteriorated.

Mr Tilson: Is the accord still on?

Mr Sorbara: No, the accord's off.

Mrs Marland: No, he's still the minister.

Mr Sorbara: No, I'm not the minister any more. But people watch this, and it's very important not to create a sense of hysteria that, "My God, I'm not sure I want to get on an elevator down at Commerce Court West and go up 54 floors." There is a 0.00% chance that that elevator will fail, and an even slighter risk that because of the failure of that elevator there will be harm done. But to the extent that we can control and manage and regulate that activity in Ontario, we do a pretty good job.

I believe that probably there are budgetary constraints on the incumbent government because of the shortfall in revenue and the mismanagement of the economy. It doesn't give the

assistant deputy minister all of the resources that he needs for inspectors and to carry out the other activities that regulate this activity, but by and large, I think we're still doing a pretty good job.

I should say that these high standards did not just come about during the period of 1985-90, when our party was in power. There is a tradition that goes well back in this area, and it's not all on the part of government. It's also because in Ontario, our building standards and the quality that we apply to construction, both in residential construction and in the most sophisticated high-rise construction, are, again, among the best in the world.

I accept the auditor's analysis. I question this business of contractors who have not met certain standards. The auditor mentions 22 contractors. I guess I acknowledge that there would be instances where individuals working for those contractors fell short of a standard, but if every time that happened we applied that standard—do away with the contractor; delist the contractor—to ministers in the government of Ontario, there would be no one available to serve in the New Democratic Party cabinet—

Mrs Ellen MacKinnon (Lambton): Low blow.

Mr Duignan: You were doing so well until you said that.

Mr Sorbara: —or perhaps in a Liberal or a Conservative cabinet either. So I accept the assistant deputy minister's ability and response in terms of regulating those contractors. I think we can do a better job, frankly. There are a lot of areas in which we can do a more effective job. But I think the progress that is going to be made in getting even a better safety record is not going to be by way of putting more money towards inspectors.

I guess I want to end up with a question either to the deputy or the assistant deputy as to where he thinks this business of regulation overall is going. One way is to inspect every month, every six years, every decade, but there are other aspects, including private regulation, including advances in technology and other areas, that enhance our ability to safely regulate this area. I just want a speculative view about where this thing is going in the future.

Mr Walter: I hope I have as much time to respond as you had to ask.

Mr Sorbara: It's up to the Chairman. I'm done.

Mr Walter: We're in the middle, both in the ministry and in the division, of reviewing a number of ways of delivery of service. For me to speculate might be inappropriate, because we've not had the opportunity to come forward and give the minister our recommendations. But if you look at other jurisdictions—

Mr Sorbara: She's busy gambling in Windsor, so speculate in any event.

Mr Walter: There are other jurisdictions that would suggest that we should simply set the best standards, that government should be involved in establishing the highest safety standards, and that we should enforce compliance through different ways. Perhaps you might look at having a private inspection group, like an insurance company does inspections, so that government might take a different role. That's done in other jurisdictions, especially in the United States.

There are different ways of forming different partnerships with industries, different ways we can work on setting directions. In this particular area, this past summer I was approached by the presidents of three elevator companies, including the one in Mrs Marland's riding, asking if we would partake with them in the standardization, the harmonization, of elevator and escalator safety codes across North America. What has been acknowledged is that our code is superior to that of any other jurisdiction, and the other jurisdictions are willing to work with us to come to our level.

There are those kinds of partnerships, so for me to speculate and to say that in five years, in doing the regulations, we'd have more or fewer inspectors, I'm not certain. I'm fairly certain that in five years we'll be doing it differently than we are now.

Mr Sorbara: Is it safe to say that government inspection—that is, a civil servant going out to inspect an elevator, competent, well trained—is only one and perhaps a less and less important component of the overall regulation of safety with elevating and escalating devices?

Mr Walter: Yes, that's correct.

Ms Wolfson: If I could add one tiny point to that, Mr Sorbara, the other increasingly important variable is the technology. I know that Mrs Marland referred to it. But more and more important is that we can develop the kinds of sophisticated tools where we can allocate risks depending on historical performance of specific components. We will be able to pinpoint the resources better. More important than whether or not we have X number will be, where are we using them and can we indeed do a better job of putting them where they will count the most? It's not a science—indeed, resource allocation is an art—but we are using more and more technology to do that. I think it's one of the more exciting things we can do, to use the innovations in technology to do that. The ministry has put about \$6.7 million into this technology just so we can do exactly that: use resources in a far more efficient and effective manner.

Mr Sorbara: Can you find a way to speed up the elevators at the Workers' Compensation Board so they won't have to move and build a \$200-million building that ain't necessary?

Ms Wolfson: I wouldn't possibly answer that.

Mr Sorbara: I'm done.

The Chair: Since Mr Sorbara has two minutes left over on his time, I'd like to ask a short question. I keep hearing that we have the best code or standards in North America. How did the ministry come to that conclusion? Is it by the number of pages we have in our code, the number of words, or did you review all 50 states and nine other provinces? How did you come to that conclusion? You've said it so often now with such confidence that there must be some explanation.

1450

Mr Walter: Really, as Mr Sorbara said, there has been a long-standing practice within this division and within the elevating devices branch—

The Chair: I'm not sure I believed Mr Sorbara when he said it, either. I want to know how the ministry can say we have the best code in North America, the best standards.

Mr Walter: Because we have continually led the development of the code in Canada, through the Canadian Standards Association, through the Standards Council of Canada. And because of the ability we have to react faster—we do not have to go through a regulation change as a director's rulings—and because of our way of assessing risk and assessing need, we believe we know where the problems are in elevators, and we react very quickly. So when there was a problem with joyriding a number of years ago, we took action to put retrofitted equipment on the elevators to try to stop that as much as possible. We did that before any other jurisdiction.

The Chair: I have to apologize for pressing this matter, but how do you know you react faster than California or British Columbia?

Mr Walter: Because of our contact with the industry. We meet with the elevator industry, the manufacturers, on a regular basis. We have an advisory committee, and they are across North America. We also have people who sit on international standards associations. In fact, the director of the elevating devices branch is unable to be here today because he's leaving to travel to Britain to participate in setting international standards. We're not paying for that; it's done at the cost of the standards council. We are recognized in North America and internationally as the leader.

The Chair: Do we have fewer accidents than anyone else per capita, per ride?

Mr Walter: No, I can't tell you that, because of the figures we get from some other jurisdictions.

The Chair: Okay, I appreciate that. Not knowing whether or not we are less accident-prone or more accident-prone in the use of elevators, I fail to see how any of us—it doesn't matter what experience we've had—can say we have the best standards. If a person drives a vehicle 200 kilometres a day and that person's driving record is compared to another person or group of people who drive 200 kilometres a day, the amount of tickets, infractions and/or accidents incurred will quickly tell us who is the most capable, the safest and I guess most courteous driver. Without having all of this information, I have to remain somewhat sceptical of anyone's claim here today that we are in fact superior to anyone else in North America.

I've used up the two minutes that Mr Sorbara had remaining on his time. Mr Tilson, you have 15 minutes.

Mr Tilson: I'd like to continue with this subject and ask a question to Mr Peters or members of his staff. Mr Peters, at the outset of your report you stated that you interviewed representatives of an all-industry committee representing the National Elevator and Escalator Association and the Canadian Elevator Contractors' Association. Can you or a member of your staff tell us what these representatives told you about specifically the inspection process the province of Ontario has?

Mr Ezio Osti: As far as the inspection process was carried out, they had concerns in the area of coverage and in the area of enforcement, whether strong enough enforcement was being taken with contractors and whether enough elevators were being inspected on a regular basis.

In addition to that, during the course of our review, we interviewed and sent out questionnaires to the inspectors who

are doing the actual inspection of elevators. We interviewed and sent questionnaires to about 60% of them, and these inspectors are telling us that they're operating on a two-year cycle and that they're not getting out to enough elevators to cover off their inspection cycle. They did set a standard for us to say that was the standard they were operating under, so they themselves had concerns in the area of enforcement and in the area of coverage. This is coming right from the interviews and discussions—

Mr Tilson: Could I stop you right there and ask Mr Walter to comment on that?

Mr Walter: I think there were two things that were said. One was the discussion with the all-industry committee and the other was the discussion with the inspectors.

Mr Tilson: You're right. He didn't really answer my question, but he did get into an area which is of concern, and I'd like you to address that.

Mr Walter: The comment was that 60% of the inspectors responded, and they felt they weren't doing it to this two-year average inspection, that they felt they weren't getting out there enough. I can understand that from an inspector's point of view, in that the inspector has seen the decrease in numbers over the years, and they have seen the increase in some of the installations. They would like us to move ahead as fast as we can with the index program to get the resources there and to bring the trainees on board.

That doesn't surprise me from the people who are out there where the rubber hits the road, where they are trying to do those inspections every day, but I don't think you would find any one of them who would say that elevators are unsafe because of this situation.

Mr Tilson: That gets to the real nub of the issue. I'm really concerned with the inspection issue, because I agree with Mrs Marland: With all due respect, I don't think you're responding to the auditor's report adequately, for my purposes.

I refer you to page 44 of the report, where there are about four or five bullets I'm going to read to you. These are observations the Provincial Auditor made as a result of speaking with people in the industry and the inspectors and their own observations and their own inquiries.

"We noted:

"Non-compliance rates had virtually doubled in the last 10 years. In 1992, 50% of inspections detected non-compliance requiring follow-up, compared with 24% in 1981. Given the current inspection backlog, the amount of undetected non-compliance could be significant.

"The nature and extent of non-compliance had also worsened. At the time of our audit, deviations averaged 2.6 violations per inspection, compared with 1.3 in 1978, and these violations were more serious in nature.

"The number of minor accidents had risen from 384 in 1988 to 508 in 1990.

"Coroners' juries investigating fatal elevator accidents have recommended that inspection coverage be improved.

"A recent ministry study indicated that the cost of hiring additional inspectors could be more than offset by the inspection fees generated."

Mr Walter, everyone—the inspectors, the industry, the Provincial Auditor, coroners' juries—is not pleased with the

inspection process we have in the province of Ontario, and I'd like you to tell me what you have proposed.

You told me at the estimates, back on November 3, that you now have 33 inspectors; this was back in November. I asked you about the year before, and you didn't have that information; you explained to me that you'd only been on the job a year and weren't aware of that, although you undertook to provide it to me, and I haven't received it. You did say that from the year before it may have dropped one or two. Your answer was, "Staff are retiring." You're looking at me inquisitively. That's what you said to me when I asked you that question.

Not only are we not providing more inspectors because of the tremendous number of elevators being constructed in this province, but you're having fewer inspectors. I would like you to respond to the Provincial Auditor's comments that I just read to you from page 44.

Mr Walter: Can I respond first, Mr Tilson, to the fact that you said we did not respond to the questions you raised? I have a copy here of the response I submitted to you, sir. I apologize for that not getting to you.

1500

Ms Wolfson: I think they had been provided to the estimates committee, Mr Tilson. I'm not sure the committee process has then forwarded them to you.

Mr Tilson: I apologize. I haven't received them, but if you sent them to the committee, I haven't yet received them.

Mr Walter: Then you want me to respond to what you read on page 44. Let's look initially at the non-compliance rates and at the nature and extent of non-compliance worsening, the first two bullet points.

At the time the Provincial Auditor reviewed the branch, we were focusing much more on initial inspections because of the number of them coming on line, and we were doing periodic inspections. Periodics are the ones that we do after the elevator is installed. Because of the number of them coming forward at that time, we focused more of our resources on the initials.

Mr Tilson: On which?

Mr Walter: On the initial inspections, to make sure the elevator was installed properly.

Mr Tilson: I'm sorry. I'm going to be rude and interrupt you, because I think you're getting off an area that I'd like to zero in on. I think you misunderstand where I'd like to zero in on.

All of these criticisms that are referred to that are made by the Provincial Auditor, the coroners' juries, the inspectors are simply saying that there aren't enough of them. In fact it's been suggested, and your own study indicates, that the cost of hiring additional inspectors could be more than offset by the inspection fees generated. So it's not a matter of money. For some unearthy reason, you've chosen not to hire more inspectors to meet the tremendous number of elevators that have increased, that have been set out very accurately, or in much detail, in the Provincial Auditor's report. For some reason, you say you have all these wonderful regulations, but you're not providing a process to make sure those regulations and standards are being met. That's where I'd like you to go.

Mr Walter: I apologize. All right.

As I said, there is the Index program, the other things we're doing with the trainees. If you look at the fact that we have a very sophisticated system coming on board, if you look at the fact that we have been training our own inspectors and those will be coming on board within the next couple of months, we are addressing the issue of the level of inspectors. We certainly expect, within the next three to five years, some eight to 12 inspectors to retire.

You talked about the revenue. If someone said to me, "Here's 10 more inspectors tomorrow morning; take them," I would probably take them. But I would want to ensure that the staff we have or the staff that somebody was going to give me were being assigned in the right spot. The last thing I should do is hire more inspectors, put in a sophisticated risk management system, bring on board nine young people who've come to work with us and be trained with us, deal with the backlog that might be cleaned up in 12 months, have the new system on line in the same period of time, and 18 months from now have more inspectors than I need. That would be a waste of the resources.

You're asking me if I want unlimited staff. I have to tell you—

Mr Tilson: No, I didn't ask you that. I repeated the allegations that are made by the Provincial Auditor's staff, the coroners' juries and the inspectors themselves, who simply say that there are insufficient inspectors to determine whether or not the regulations and standards you have set forward in this province, which you are very proud of and I'm not going to challenge that; that sounds fine—you haven't provided an adequate inspection system to determine whether or not those standards are being met.

Ms Wolfson: I'd like to address that. For the technical expertise, of course, I'll defer to Mr Walter and Mr Benn, but your question is very similar to that of Mrs Marland and I didn't get an opportunity to respond to that.

Mr Tilson: My question's a little shorter.

Ms Wolfson: Just a touch.

I want to talk about enforcement as a process. I think one of the difficulties, and the reason I do not want it to appear—I hope it's not appearing that the ministry is saying the auditor is wrong and we're right and we refute what he's saying and, you'll forgive me, we're being pigheaded about it.

Mr Tilson: You said they're wrong.

Ms Wolfson: I really don't want that.

Mr Tilson: But Ms Wolfson, you said that. I'm sorry.

Ms Wolfson: I want to explain why we are taking the position we are. Enforcement is a process. It's a continuum. The reason we talk about high standards is because that's where it starts. It's not where it stops. It's not ivory tower. It's not just paper that we're putting there for people to refer to and put on the back burner.

It starts with a very high standard and a code that everyone must comply with and that the professional engineers have to certify on a continuing basis. Mr Walter and Mr Benn can speak to the frequency of people within the contractors who must, according to their professional ethics and obligations, hold themselves to a very high standard.

That's where we start. Thy the code is so important and that's why standards are so important, not because they're in a book but because that's where you start. Add to that the implementation of safety, and that starts for me with a risk-management system.

Clearly, we are never going to be in a position, nor would the public want us, in my view, to be in a position where you overresource anything. We don't have that luxury. So you take the resources and you say, "What's the optimum level with the best standards and where do you put them?" You take that risk-management system and you add it, if you will. It's the next layer on a very high standard. Then you inspect, and you inspect according to the standards and the risk allocation.

It is therefore our view—and I think this is what Mr Walter explained very well—that our inspectors are highly professional. They'd like to be going out and inspecting all the time and being very confident, and that's right and that's what they should be doing, and it's our job to ensure that we are trying to find that balance of the most appropriate risk, the most appropriate resources and inspecting according to what's needed.

There is, in our view, no magic to a two-year rotation. Some will be far more than two years, older ones, and the new ones will be perhaps less than that. I think it is important that inspection be seen in the context of an enforcement continuum.

The Vice-Chair (Mr Joseph Cordiano): Mr Tilson, you have two minutes.

Mr Tilson: Thank you. I get very nervous when I go up in an elevator and I see a signature of a Liberal cabinet minister signing an inspection report.

Mr Callahan: I know. It's Peter Kormos's that bugs me.

The Vice-Chair: Then why take an elevator?

Interjections.

Mr Tilson: I'm going to keep on this because, you know, that's great what you say.

Mr Callahan: It would be worse if it were a Tory.

Mr Tilson: I didn't mean it to be a play on words, but sometimes that's the best thing.

In any event, the auditor's report states that in 1978, on the average, Ontario elevators were inspected annually. Now it's five to six years. Secondly: "Approximately 40% of Ontario's elevators were overdue for inspection. The backlog ranged from 12% in one district to 62% in another. Two thirds of the 6,000 elevators installed in the last four years had not been reinspected since their original installation."

I'm sorry. With all due respect, I don't agree with what you've said, the coroners' juries don't agree with it, the Provincial Auditor doesn't agree with it and the very inspectors who are inspecting these elevators don't agree with it. You can have all the new systems that you want, but currently the Provincial Auditor, yes, has put forward very alarming statements. All you had to do was read the press reports. The press doesn't like it either. So every single group except the Liberals and the NDP, it seems, doesn't like it.

I'm simply asking that you have another look at what you're doing. It's not a matter of money, because the Provincial Auditor has accurately put forward that the hiring of

additional inspectors could be offset by inspection fees. If you're going to have elevators, you've got to pay those fees. We demand the safety of the public.

I disagree with your opening statement when you say, "The safety of the public has not been compromised." The Provincial Auditor's report has challenged you on that statement and I invite you to reassure us that your initial statement was accurate.

1510

The Vice-Chair: I'm sorry, but we've come to the end of your time, Mr Tilson, so I have to move on to Mr Farnan.

Mr Farnan: First of all, members of Parliament are generalists. They don't have a great deal of background in particular areas. We tend to have some information on a lot of areas. That's why it was very important that Mr Sorbara was here today because Mr Sorbara, as a former minister responsible for this area and with a detailed knowledge of this area, and obviously from a totally non-partisan point of view, was able to give a judgement that indeed we have a system that is commendable. He didn't say there wasn't need for improvement, but we have a system that is commendable. I am impressed with that statement from Mr Sorbara.

I am horrified by the kind of scaremongering Mrs Marland and Mr Tilson have gotten into during this process. The reason for that is that I have friends back there in Cambridge at Fairview Mennonite Home or St Luke's home and, of course, can they ride an elevator? That is a question I ask you in very simple terms. An elevator is a box attached to a cable. Is it just one cable? Is the cord fraying? Should people say: "My God, that cord is just about to snap. I'd better not get into that elevator"? Could you explain a little bit about the basics of an elevator so this committee and the public in general might have some idea of what we're talking about?

Mr Walter: There are a number of different safety standards, and obviously, depending on the elevator, the number of cables will vary. But the standards are such that if an elevator had five cables and four of them broke, the one will be strong enough to hold the car itself. That is simply the cable. That doesn't talk to the devices installed on the elevator that stop it, regardless of what would happen with the cables.

Some of the things you're talking about that Ontario has initiated are retrofits to elevators to stop overspeeding in the up direction and crashing into the ceiling. We put in particular safety equipment on doors, on hoistway doors. We put equipment that would stop cars from moving if the doors were open, those kinds of things. There are any number of pieces of safety equipment.

You talked about the people in these homes in your riding. The Provincial Auditor in the report talked about a number of minor accidents increasing from 384 to 508. There are two comments I want to make there. The first one would be that we've instituted a much better reporting system. Other jurisdictions have almost no reporting system or it's inaccurate and so it's hard to compare.

The other thing I want to point out to all the members—it was in the information we sent to Mr Tilson and it's unfortunate you didn't get it, sir—we looked at the total accidents and incidents for passenger elevators alone. Out of the 35,000,

there are probably some 20,000 or 21,000 passenger elevators. In 1988-89, there were 134 accidents and incidents; in 1989-90, there were 104; in 1991, there were 90; and in 1991-92, there were 99. The figures we've looked at for this year would indicate they were probably on a par with last year. So for elevators, that figure has gone down since 1988-89. I think that's important when you're talking, Mr Farnan, about people in your riding feeling safe, that we believe we're doing the job we should be doing.

Mr Farnan: Having said that, there will no doubt be an accident on an elevator tomorrow, next week or several weeks down the road. I don't think we're ever going to come to a situation, and I think this is fair to say, where you can eliminate totally the possibility of accidents. I do believe, though, that we must be doing all in our power to ensure that we achieve the highest level of safety.

It's comforting that you come forward with a report that gives some credence to that, and it's even more comforting for me to hear of a former minister in a Liberal administration reaffirm that at a time when he could be in fact taking pot shots at the government. But in fact he is saying, "Let's look at this rationally."

The last question is this: If you cannot make a decision on a particular elevator that you are not going out to inspect that from the ministry perspective, there are other inspections taking place, are there not?

Mr Walter: Yes, sir.

Mr Farnan: There are other inspections taking place. Is it possible to have a time limit, an upper time frame which says that elevator must be inspected at a minimum of every three years, even if it is not a ministry inspection?

Mr Walter: Well, perhaps I should clarify that with the standards that we require from maintenance. In probably 90% of the elevators in Ontario, the person doing the maintenance on a monthly basis does a monthly inspection. When we have the Index system going fully, obviously we will be able to do that. This one would have to be done every three years, but I would never want to say that there was a three-year limit on every elevator. But there certainly could be a three-year limit on some elevators.

Mr Farnan: Mr Chair, I would pass on to my colleagues.

The Chair: Mrs MacKinnon and then Mr Hayes.

Mrs MacKinnon: To tell you the honest-to-goodness truth, and I'm not trying to be dramatic or anything else, I'm scared of the elevators, not only in this building but that belong to any part of Queen's Park, because I have been involved in a few things that are absolutely scary. As a matter of fact, ironic as it may seem, today at noon my arm was caught because the elevator door down the hall here shut much too quickly. Thank goodness for security. He managed to catch the elevator in time. Be that as it may, perhaps that will be rectified after I'm dead and gone; I don't know.

You say that you identify anyone who—if I remember correctly, I believe you were speaking about your inspectors or whatever your people are called who work in the field, on a case-by-case situation. I don't understand this "case-by-case." If somebody worked on the elevator that I was caught on today, how are you going to identify it case by case? How are you going to know who it was who worked on that? Do

you know whether it was Joe or Harry? How do you know that?

Mr Walter: First of all, you talked about the case-by-case. We know where those situations are, because the elevator companies are required by our standard to report that to us. So if an incident or an accident occurs on an elevator, then the company doing the maintenance is required to advise us of that, and that's the better reporting system we have than in any other jurisdiction.

The other thing we're doing—you relate back to, how do we know who is doing the work on that? That was a recommendation from a coroner's jury and we actually went back and changed the regulation. Effective April 1 of this year there will be a standard logbook in place for every elevator in the machine room that will require the mechanic to keep a very strict record of what maintenance was done, who did it and on what date.

Mrs MacKinnon: You said "this year." You mean 1993?

Mr Walter: Yes.

1520

Mrs MacKinnon: Up until that point in time, you're really not going to be terribly, terribly sure of who worked on what elevator then.

Mr Walter: Most of the companies have a record of that. If you go to the big companies that are doing most of the work, some of them I won't name in particular here, but one of them that does a large amount of work has it all on a computerized record. Our concern was that although the computerized record was an excellent record, it wasn't onsite, and we want to know what's onsite, so that's why we instituted the logbook. That took a little time because of the consultations we had to do with industry to ensure we had the right thing in place.

Mrs MacKinnon: Could I move on then please to the education requirements, as one who's always interested in education and one who has a community college right in the riding? You say that you want graduates from community college as part of their education requirements. What would anybody going to community college study? What type of courses would they take at a community college in order to be qualified to go on to become a trainee in either your organization or any elevator company, whatever it may be?

Mr Walter: There are a number of technical programs available. We'd be interested in people who perhaps had an education in electronics or with an electrical or mechanical background. Anyone who has that kind of educational level brings an understanding of the kinds of equipment we're using. Therefore the hands-on training program we put in place, depending on the individual, would last maybe 18 months to two and a half years in doing that hands-on training.

Mrs MacKinnon: After they've graduated from a college course?

Mr Walter: After we hire them, we provide that training, yes.

Mrs MacKinnon: But you were saying that you would like to see them be a graduate of some type of a community college course, obviously in electronics or whatever.

Mr Walter: Something with a background that would lead them into our work. The nine we have all have that background and have been teaching our present inspectors some very good ways of doing things.

Mrs MacKinnon: When the issue of education was raised before, you gave the answer I just shudder when I hear, and around here you hear it on a daily basis, it's ongoing: "We're taking a look at it." How long do you take a look at it? I think you were speaking in regard to training, perhaps yourself or getting the colleges to put in courses that would be applicable to inspection of elevators or lifting devices or whatever. How long do you have to look at it?

Mr Walter: I think we were speaking at the time about the training and certification program for elevator mechanics. I think that's what the comment was; I'm not sure if I'm certain. That was a recommendation by a couple of coroners' juries, that we investigate that. That has not been an easy situation to resolve.

We have been in meetings with the tripartite committee for about 12 months. I'm not in a position to give all the details, but there are opposing points of view on that committee from various stakeholders. I believe I have an obligation to resolve those points of view before I give a recommendation to the minister. When you ask ongoing, the next meeting is on January 29, and I would hope that within 60 days after that we would have a final report.

The Chair: Mr Hayes, one question.

Mr Hayes: I know you've already alluded to this question, and that's the issue about the accidents rising from 384 in 1988 to 508 in 1990. I believe what you said was that you have a new or improved reporting system, and I guess it kind of takes me back to industries, for example, where the mother company would be in Michigan. I can remember them coming over and saying, "Well, our accidents are a lot less than what you have," but then of course we found out the same thing with compensation, I guess. They weren't required to report all accidents where in fact we did in the workplace I was in—well, as many as we could. The ones that were reported were certainly recorded.

But what kind of action would you be taking where a contractor, for example, did not report an accident and you found out about it, whether it be from a worker or someone else? What kind of security do you have to ensure that the proper reporting is in fact being done?

Mr Walter: It's difficult to monitor that. We do get some letters directly from people. In fact, I had one in the last couple of days where a member of the public complained about the elevator. When we checked back, we found out that no one had complained about a particular elevator and the company had not—obviously, they hadn't even had it reported to them. When we find that out—and we don't find out that often, I tell you—we then have very serious discussions with that contractor. But I don't think that we've had many of those, and we would certainly have the ability to prosecute them if we wanted to.

Mr Cordiano: I just have a few brief questions with respect to the whole issue of inspectors once again. Really, my question is more to do with a hypothetical situation, which would be, if you were granted the ability or permission

to pay for more inspectors by paying for them through the revenues that could be generated by fees, would you then be able to hire the inspectors that you actually needed over the course of, say, the next year, into the next fiscal year? Because what you've said is, basically, you may not need additional inspectors, but let's assume that you might. You are already training an additional nine inspectors, but let's assume that you will need, additional to that, several more. Going into 1993-94 and 1994-95, we may have additional construction. God willing, the economy is going to turn around and there will be additional pressures down the road and some expansion will take place. Do you feel that would rectify the problem, if you were able to do that, bring inspectors on line?

Mr Walter: To answer your question, it's correct that more inspectors would be offset by inspection fees, and there is a process, among others that we're looking at, that you might follow to make that proposal. But again I would have to be very careful that we had the correct number. We are bringing nine more on, and if you said that I should have 10 more, then I would want to look at where the risk management of Index told me I should have people and where they should be in the province, which is the other concern. That's one of the problems we have.

Mr Cordiano: There are areas where there are real shortages of inspectors, Ottawa being one of those.

Mr Walter: Yes, the staff have to be assigned where they are needed, and we need to look at that as well.

Mr Cordiano: The other thing I wanted to say very quickly is that I suppose, then, what you're telling us and the conclusion we may come to with respect to this is that we need to then assess your performance on a different set of criteria. What I would like to see you do as a ministry at this point, in this division or this branch, is to set out what you think the criteria should be for us to make proper assessments with respect to whether you're fulfilling the requirement for the safety of the public to be met and what those should be, so that when the auditor revisits this question some time in the future, he'll be able to determine that with a clear set of criteria having been prepared by yourselves rather than having it forced upon you from others. Is that a fair enough way to approach that?

1530

Mr Walter: I think that's more than fair. I do it on a divisional basis, and in fact, it's what the three directors and I are doing right now. We are working with our director of the Index program to establish a risk management for every branch in the division. We will have very measurable criteria and we will be able to tell you that the system says we should be there X times and that we have or haven't met that. Yes, sir.

Mr Cordiano: I would also ask that you somehow make that understandable to the auditors in the context of this report that was done by the auditor.

Mr Walter: I think the Provincial Auditor understood that, but you have to remember that they were doing an audit last summer on a system we are changing. I don't want it to be seen as a criticism of the Provincial Auditor.

Mr Cordiano: It wouldn't be a criticism of the Provincial Auditor; it would be a criticism of your ministry with respect to making that clear, because the auditor is going to make his assessment based on what you set out as a set of criteria.

Ms Wolfson: I think what Mr Walter is saying is exactly that, Mr Cordiano, that indeed it's only proper management for us to have criteria and for us to have productivity measures and for us to assess risk and be able to justify that to the public, the public in the eyes of the Provincial Auditor. That is obviously a requirement of the ministry.

The Chair: Mr Callahan, five minutes.

Mr Callahan: A few brief questions: First, is the minister right when she said in Hansard on December 1, 1992, that 90% of elevating devices are checked once a month and inspected by the contractors?

Mr Walter: I think I've already stated that this afternoon.

Mr Callahan: When you talk about 90% of them being checked, who's that by? Who checks them?

Mr Walter: The maintenance part of the requirements for doing maintenance on elevators, part of the regulation is that the person who does the maintenance is not just supposed to go in and do the maintenance, grease the wheels etc; he is to ensure that the safety equipment is working.

Mr Callahan: Okay. The second question I have is that in your estimates—you may have been asked this; I was out on a matter that came down today in the media studio—you've got a change from 1991 to 1992. There's a cutback of \$272,600 under elevating devices—I would have thought that would have been increased—and there seems to be a very extraordinary increase in what is listed under program administration. Why is that?

Mr Walter: Thank you for raising it. It was asked earlier, but I didn't get a chance to answer. It's really two questions. A reduction was shown this year because that was the allocation. However, early in this year, I did some allocation within the division that wouldn't show up and the Provincial Auditor would not have been aware of it. I moved \$208,000 from another part of my division into elevating devices. If you want to look at the allocation, in 1988-89 the allocation was \$3.2 million. In 1991 it was \$4 million. In 1991-92 it was \$4.4 million. In 1992-93 it was \$4.7 million. With the deputy here, I won't tell you what I want to do for next year, because I want some money.

That was our preliminary allocation, Mr Callahan, and I moved money from within. The reason there is \$1.1 million shown in my budget is not because I travel a lot, but within my budget is the whole Index project.

Mr Callahan: Employment equity?

Mr Walter: No. Index is our computer system that we're installing. As the deputy said earlier, over the last four years we've put over \$6 million into that. It doesn't show it out—it's a different way of recording the budget—but it was attached to my budget in the ADM's office. All that money went into the computer system, the implementation.

Mr Callahan: If I understand you correctly, you're putting your money into this new program as opposed to increas-

ing the budget for elevating device inspectors to inspect. Is that right?

Mr Walter: No. We had to fund nine trainees someplace, and we had to fund a training officer to work with them.

Mr Callahan: What I'm getting at is that in light of all that has been said by the auditor—again, the safety of the people of this province is the most important thing—would it not have been better to get yourself caught up before you started investing that kind of money in some other program?

Mr Walter: We're doing both. We have to correct the problem with the risk management by putting in the Index system before we simply throw resources at it. We have to do both. From 1988-89, we've increased from \$3.2 million to \$4.7 million in the elevating devices branch. Part of that money is going towards the hiring of an electronics engineer. Some of the money has gone towards the hiring of trainees and a very extensive training program; that doesn't come cheaply. At the same time, from outside the division, from ministry resources that we have allocated on a team basis at the senior level, we have allocated money to technology in this ministry. So we did both at the same time.

Mr Callahan: Maybe the Treasurer should give you some more money seeing as how you bring in so much money. You should start earmarking this stuff for the safety of the people of this province instead of taking your money on licence fees and not giving back an equivalent amount to carry out a safety—I feel great empathy for you people. It's not a criticism of you. You're working under very extreme circumstances, and all this money goes into the great black hole and you don't get a sufficient amount to deal with an issue which I think any Ontarian without dispute would find to be a very significant issue: their safety when they enter an elevator and travel the height of some of the towers we have here.

There should not have been fees at the same rate for disabled people's. I take great exception to that; I think that was wrong. Any taxation should take into consideration the needs of the people who are using those types of vehicles, and I don't think that was the case here. I still haven't gotten a satisfactory answer in terms of the disabled fee being quadrupled. There was no need for that at all. That's a message not for you; that's for Mr Laughren, if he happens to be watching, or the Premier. I find that really objectionable.

The Chair: Thank you. Ten minutes, Mrs Marland.

Mrs Marland: Are we back to 10 minutes? I'll see what I can do with it this time.

I want to concur with Ellen's comments, unfortunately, about the elevators in this building. I routinely travel on the elevator for the disabled in this building because I'm the spokesperson for people with disabilities. I do that for the reason that I've had some very bad experiences on that elevator, where I actually have to claw my way out to get the door open. I have reported it and it still doesn't work properly. But that's not the responsibility of the minister or the deputy.

In fairness, Mr Walter, I want to place on the record that in speaking with the industry, they are very complimentary about the improvements that have been made to your division, the technical standards division. Apparently, in the time you have been there, the industry has seen a lot of improvements.

They are indeed very complimentary about the work you're doing in that division and the progress that has been made in it.

Mr Walter: Thank you.

Mr Hayes: However.

Interjection: Hang on.

Mrs Marland: I'm not a member of the industry. I'm just a little person here, elected to represent 98,000 people, and I have the auditor's report in front of me. The auditor's report says on page 45:

"Branch managers estimated that around 10,000 elevators may not meet required safety standards. Furthermore, there have been cases in which elevator manufacturers have notified the ministry of potentially dangerous deficiencies in these devices after decades of operation."

When I read this, I wondered who these branch managers were. I've had it confirmed for me that these are your people, ministry people, so I think you've got to explain to the public. In deference to my colleagues across the room who say that my questions have been alarmist, my questions have been based on the facts that are presented to us in this auditor's report. Correct the auditor's report if this isn't so, but if your own people are saying they've estimated that around 10,000 elevators may not meet required safety standards, that has to be of concern.

1540

In answer to Mr Tilson's questions about the accidents going down, I notice on page 44: "The number of minor accidents had risen from 384 in 1988 to 508 in 1990." "Coroners' juries investigating fatal elevator accidents have recommended that inspection coverage be improved," and "A recent ministry study indicated that the cost of hiring additional inspectors could be more than offset by the inspection fees generated."

So we're not sitting here saying, "Please spend lots more of the taxpayers' money." We're asking you to deal with something that is absolutely revenue-neutral. If you need us to get up in the House and start asking some questions on this to support the need, now is your chance. I know what it's like at the cabinet table sweepstakes, when you're all asking for the same pot of money from the Treasurer. But if something is truly self-funded, why aren't we doing it?

Mr Walter: I think it would be inappropriate for me to say something that perhaps the minister might say on that issue, but let me talk about some of the specific concerns you raised. Let's talk about the 10,000 or about those figures you have raised. One of the branch managers, when asked by the Provincial Auditor to talk about the electronic expertise within the division—that's the whole section around "Resource Expertise" on page 45 of the report; we acknowledge that the technology has changed considerably, particularly in the area of electronics, and there are considerable pieces of electronic equipment on there. When asked, this branch manager, a senior person whom I trust very much—and I'm not disputing either his comment nor the Provincial Auditor's comment—said, "We don't know," because we have not gained enough electronic expertise in the recent past as equipment becomes more complicated.

If he was asked, "What would be the worst-case scenario?" there might be up to 10,000 elevators that we have not checked. But that does not mean that those elevators are unsafe. It might mean they stop, but elevators and the equipment are now designed to fail-safe properly; if there were a problem, that elevator would simply shut down, not end up dropping.

Mrs Marland: It's not really fair to interrupt you, but I'd like to ask you this: Do your records of accidents include cause of death related to an elevator experience? You know how terribly frightening it is: heart attack, hyperventilation and so forth, people with potential for hypertension health risks. The experience of people, any of us, who have been locked in any elevator in excess of half an hour—I've been in one for two and a half hours, a crowded elevator—do your reports record related—

Mr Walter: I can only tell you, Mrs Marland, that there has been one case, and that's where there was a very serious accident. I really don't have that kind of information.

Mrs Marland: Your records would only include it if it were related to the mechanical functioning of the elevator.

Mr Walter: Or depending on what was reported to us. I wouldn't have that, though. Do you want me to continue?

Mrs Marland: Yes.

Mr Walter: We were talking about the 10,000 elevators. Those simply have not been checked, and my response earlier was that—I think you were out—what that branch manager did say is that all of those electronic components were initially checked by a professional engineer in the industry before they were installed. So what we would be doing with the 10,000 is simply a double-check of what has already been done by a professional engineer who knows the business, who knows the equipment and who knows the standard. I mean, someone could come back and accuse us of overkill, I suppose, because what we want to do is check what the professionals have said is okay, and that's where that figure comes in.

Ms Wolfson: I just want to add one more piece to that if I can, Mrs Marland, and that's the issue of resource allocation. I as the deputy minister appreciate the willingness of the members of the committee to say, "We'll help; we'll raise the issue and we want to ensure that you have sufficient resources." I would not want to leave the impression with this committee that the ministry is saying, "We don't want more resources to do what's important to be done." I think what we are saying is that if there is a need for more resources we will certainly bring forward that concern. Right now, we have nine new inspectors coming on, we have \$6.7 million of technology coming on that will give us, in our view, with the best expertise we've got, the ability to assess what's an appropriate allocation of resources, and certainly that's done on an annual basis.

I would not ever want to be in a position of saying I know exactly what the resources should be, depending on what the situation is. For instance, one of the members of the committee said, "If there were burgeoning interests and the economy springs back and we have construction, we will be in a situation where we will have to look again and review what's needed when." I think the issue for us is, do we have the

people in the right places in a responsible manner to manage the risks appropriately according to what the system is, not just from inspection but from what the engineers and the contractors and those who are managing or running elevators?

Mrs Marland: What about the certification of mechanics to a basic standard?

Ms Wolfson: I'd have to defer to Mr Walter.

Mr Walter: That's the training and certification program we're doing right now that we're working—

Mrs Marland: Is it mandatory now?

Mr Walter: No, it's not in place at this point. I have to repeat what I said earlier. We have been working for the last 12 months or probably a little more on a tripartite committee with the ministries of Skills Development and Labour and—

Mrs Marland: Sorry; I didn't understand earlier.

Mr Walter: I'm sorry. Okay, that's the—

Mrs Marland: I heard you refer to that committee and we weren't sure what the committee was.

Mr Walter: I'm sorry. That's the tripartite committee of industry, government and labour. That's the training and certification program we're talking about, and we hope to have the initial work done soon.

Mrs Marland: What is "soon"?

Mr Walter: Well, the next meeting is at the end of this month. It's hard for me to say, because I'm one person on an equal tripartite committee. I would hope we would be able to come back in the near future, in two months; I don't know. I don't think I can be held to that because I'm not the person who's carrying it all.

Mrs Marland: I'm not going to hold you to it but it would be helpful if there was certification of mechanics for everything.

Mr Walter: We agree.

The Chair: Thank you. Mr Fletcher, 10 minutes.

Mr Fletcher: It's nice to hear that Mrs Marland has heard from the industry and that she's seen such improvements over the last 15 months since you've been there. I guess that is a credit to you and the staff and everyone who's working in the ministry and also a credit to the present minister, who saw there was a need and it was time to go after that and gave you the leeway to do it. I'm glad that's happening.

When I look at the system, what I see is a system that was implemented way back when, that really just started off as a concern and then got into some statutes. As it progressed and evolved, certain things changed within the elevating industry that had to be addressed, and you've moved in that direction. During the 1980s with all the building and all the new elevators coming on line, I can understand the boom and how you can be shortchanged and that there is a backlog, that you're working on that backlog and that you're bringing in the technology to meet the needs of today. In other words, the elevating inspection industry has been expanding and it's been getting better as the years go on. Is that a correct assumption?

Mr Walter: I think we're developing more expertise and we're getting better at setting standards and we're getting better at having the industry comply with those standards, yes.

1550

Mr Fletcher: As far as the input of the industry, it's happy with what is going on so far. Is that a correct assumption?

Mr Walter: I think yes, they're very pleased at the level of cooperation. For the last 15 months—and I don't want to take all the credit myself, because it was obviously a lot of other people—we have been working with the industry very closely and in fact it disbanded its all-industry committee and has simply continued to sit as part of our elevating devices advisory committee.

I feel it's important for me to meet with them. I can't get into some of the technical issues—they're too detailed—but I do meet with them every time they meet and I think the industry is very pleased at how we have worked with it to establish the best standards. I think that was an indication when they came to us and asked if we would take part in a harmonization project to level the playing field for this whole continent.

Mr Fletcher: When there has been an accident, a fatality, be it any reason, the ministry and your department have responded quickly, I believe. As far as the joyriding issue was concerned, I know that you moved fast on that issue. I think your response has always been one that wherever there had to be a quick decision, it's moved quickly to make sure that these accidents don't happen again. Is that a correct assumption?

Mr Walter: Yes, it is. We were able to respond quickly. Even before my time there was such a good relationship developed with the industry that even when we prosecute some of these companies and they have been fined for doing things they shouldn't have done, they still come to the table and work with us very closely.

Mr Fletcher: One other point is that you're not where you wish to be yet as far as safety and the inspection of elevating devices. I know that some people have been asking me how long or when. As far as the long-term goals of meeting the objectives of the ministry on elevating devices, are we looking at, in another 10, 15, 20 years, an auditor's report coming in saying, "You're messing up again"? Can we hit perfection or can we get close to where we want to be so that the auditor's reports are finally saying that we've moved from many years ago here and we finally have come to where it's acceptable?

Mr Sorbara: The first step would be an election.

Mr Fletcher: You did good work when you were there, Greg. You won't be there again.

Mr Hayes: You did okay, but we did better.

Mr Walter: I think that all of the things we are doing will put us in a very good position in the very near future, and whether you want to talk 12 months or 18 months or 24 months, it's certainly not 10 or 15 years.

The Chair: Anybody else from the government side? Okay, the auditor has a few short questions.

Mr Erik Peters: I think they're more in terms of comments. I really appreciate the answers that we have heard. I think I'm still concerned about the sentence that you said, "We do not agree that inspection efforts were inadequate to ensure compliance with safety standards." I think we both would agree that at the time when we conducted the audit you

were at a fairly rudimentary stage of risk assessment. Our comments about the adequacy and the risk that was being taken were really relating to the state of affairs at that time.

The second part was that I would really appreciate if, on the performance criteria that you committed to when you were asked by Mr Cordiano, we could be involved in some way. We'd be happy to be involved, because if indeed some misunderstanding has arisen in any way, shape or form because of the way criteria were determined and developed—and we reached our conclusion based on the criteria that we developed with essentially the director level at your branch—and if there is involvement by you in this to a further extent and if there's anything that we can do to help this, we would be glad to do so.

Our criteria, in the absence of everything else—and these were very clearly brought out by the members of the committee and they are clearly brought out in our report—were the items in section 44. You, Mr Walter, used the term “where the rubber hits the road,” and that's where we were trying to aim at: where does the rubber hit the road, how many violations do we find, how many minor accidents are occurring and all of these things. We were really results-oriented in this, and that was our principal criterion.

In substance, we came to the conclusions we came to, basically (a) because we felt that the risk assessment methodology that was used was not adequate at the time, and (b) we were trying to use criteria that would be acceptable both to the ministry and to ourselves in terms of the results that were being achieved through the inspection.

In this regard, I'm very pleased on this. You are now of contrary mind, that in a way you do agree that in this regard the inspection effort was inadequate and is now being made adequate by you, and I commend you for that, that the Index system should go in and that you now have a risk assessment handle.

The Chair: I have one last item I wish to raise. I want to clarify. I have yet to be able to understand the comments that were made earlier on today and I'd like to clarify them. I believe the deputy said that there had been no accidents or loss of life due to mechanical failure. I asked for a definition of a mechanical failure and I don't believe I understood.

Mr Walter: I'd like to explain more than I was able to explain, in that when we talk about mechanical failure, we mean a failure of the system. I won't speak about the most recent accident, because that's under investigation. If you look back at the ones before that, in fact I think one of the coroner's reports actually talked about mechanical failure. It was a mechanic working on the elevator who bypassed the safety equipment of the elevator. He used what is termed in the industry “jumper cables.” So when we talk about mechanical failure, we mean the safety equipment failed, and we have not had that problem. The fatalities have occurred because—one was a young man joyriding on top of an elevator and the other two were a direct result of the mechanic doing something he should not have done.

The Chair: I have before me, and I've been looking at it most of the day, the verdict of the coroner's jury in the unfortunate death of Percy Robert Shale, which took place at the Lord Elgin Hotel in Ottawa. Is that the one you're referring to where the—

Mr Walter: Yes. I have a copy of it myself.

The Chair: The coroner's report, as agreed to by the jury, states as follows—and this is a description of how the accident took place; it's quite gruesome:

“Mr Shale was entering the elevator on the fifth floor when the doors closed, trapping him partway on to the elevator. The elevator moved down, striking him on the head, causing massive injuries and propelling him on top of the car. The electric eye was faulty and the door safety edges failed to cause the door to retract. The elevator's basic safety devices failed to prevent the car from moving with the door.”

I'm not a technician or an engineer, but I would conclude, after having read the coroner's report, endorsed by the coroner's jury and signed by all members of the jury, that what I've just read into the record to the members is in fact a mechanical failure.

Mr Walter: I don't know whether you have it in yours, but I certainly have it in my copy where it goes on to say, “The most likely cause was human error in the form of miswiring or a jumper cable having been inadvertently left in the safety circuit.”

The Chair: It says “the most likely cause.” It doesn't say “the cause.”

Mr Walter: That was still the recommendation of the jury. What we're saying is that the mechanic used a jumper cable to bypass the safety equipment. We prosecuted both the mechanic and the company. The mechanic was fined \$5,000 personally, and the company was fined \$30,000. The jury came to the conclusion that the cause was human error in the form of miswiring or a jumper cable.

Ms Wolfson: Mr Mancini, if I might add, the Coroners Act requires a jury to find the cause of death to its ability. That's their task, and this was the most likely cause that they could come to.

The Chair: Okay, that's fine. Any other further questions by any members?

Mr Peters: May I?

The Chair: Go ahead.

Mr Peters: Very quickly, on the follow-up on this company particularly, I guess as professionals, and you as professionals, we most likely learn from this. This was one incident where I think they also talked about the mechanic being unsupervised. One of the points that I wanted to maybe raise at the end of this is that to the public, this is a failure of a mechanical device, as to whether the cause was a jumper cable or whatever. But if indeed the mechanic of this company is unsupervised—and during the hearings there was some challenging of the disciplinary route that is being followed—can you at least give some comfort to the members who raised questions about this as to what the mechanism now is that you follow in the company? I know the finding is fine, but what do you do as a ministry in preventing unsupervised mechanics working on it? Because there are a number of accidents—there are installation accidents and others—all of this based on unsupervised mechanics doing the work. Maybe you can help the members in this regard as to what further action you may take with a contractor.

Mr Walter: Thank you very much, because what the branch did was issue a director's ruling which specified very specific supervision standards. They actually put in a description of what "onsite supervision" meant and related it back to the years of experience and training of the elevator mechanic. The director did that.

Further to that, through the all-industry committee and through work with staff of the branch, the industry has developed what it would call a passport, which is a record of experience for every elevator mechanic. We are in the process of giving our support to that passport. So we took action, the director took action with a director's ruling, and the industry has responded by making it, I think, even better.

The Chair: The public accounts committee wishes to thank the officials from the Ministry of Consumer and Commercial Relations for joining us today and answering our questions in regard to the auditor's report on the elevating devices branch. We appreciate your being here with us and being so courteous and so thoughtful in your responses.

The committee is adjourning and will now be going into closed session. We will be meeting again next week in this committee room Monday afternoon at 2 o'clock. The open session of the public accounts committee is now closed.

The committee continued in closed session at 1604.

CONTENTS

Thursday 14 January 1993

Annual report, Provincial Auditor, 1992	P-283
Ministry of Consumer and Commercial Relations	P-283
Judith Wolfson, deputy minister	
John Walter, assistant deputy minister, technical standards division	
Norman Benn, manager, field operations, elevating devices branch	

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- ***Chair / Président:** Mancini, Remo (Essex South/-Sud L)
- ***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
- *Callahan, Robert V. (Brampton South/-Sud L)
Cousens, W. Donald (Markham PC)
- *Duignan, Noel (Halton North/-Nord ND)
Frankford, Robert (Scarborough East/-Est ND)
Haeck, Christel (St Catharines-Brock ND)
- *Hayes, Pat (Essex-Kent ND)
Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
O'Connor, Larry (Durham-York ND)
- *Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

*In attendance / présents

Substitutions present / Membres remplaçants présents:

Farnan, Mike (Cambridge ND) for Mr Frankford
Fletcher, Derek (Guelph ND) for Mr Johnson
MacKinnon, Ellen (Lambton ND) for Mr O'Connor
Marland, Margaret (Mississauga South/-Sud PC) for Mr Cousens

Also taking part / Autres participants et participantes:

Osti, Ezio, director, ministry and agency audits, Office of the Provincial Auditor
Peters, Erik, Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



Legislative Assembly of Ontario

Second Inter-session, 35th Parliament

Official Report of Debates (Hansard)

Tuesday 19 January 1993

Standing committee on public accounts

Annual report,
Provincial Auditor, 1992:
Ministry of Community
and Social Services

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Mardi 19 janvier 1993

Comité permanent des comptes publics

Rapport annuel de 1992
du vérificateur provincial:
Ministère des Services
sociaux et communautaires



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday 19 January 1993

The committee met at 1011 in room 151.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1992

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order.

Mr Gregory S. Sorbara (York Centre): Mr Chairman, just before we introduce those who are going to be testifying before the committee this morning pursuant to our agenda to consider the family benefits assistance program of the Ministry of Community and Social Services, might I just raise a matter with the committee that I think is of importance and of some urgency and ought properly to be raised this morning? I will, sir, at the conclusion of my remarks, put a motion before the committee for its consideration. I'm hopeful, in view of what I'm about to say, that I can get the consensus support from the members of the committee, including, of course, the members of the government caucus.

Mr Chairman, the matter that I want to speak about relates to the testimony that we heard from representatives of the Workers' Compensation Board relating to the construction or the proposed construction of a new 30-storey office building in downtown Toronto. The proposal is, as you know, to construct a building of some 30 storeys on lands owned by the Canadian Broadcasting Corp under an arrangement whereby the board would become a 70% owner of the building and, along with its partners, Cadillac Fairview and the Toronto-Dominion Bank, the chief financier of this building and also the chief tenant of the building.

What I suggest to you is that there is now new information before the public, certainly, and information which therefore has come to the attention of this committee that I think needs to be raised here. There are three things that are extremely troubling, sir, for this committee. You may have one view or another about whether or not, with the kind of glut of office space that exists in Metropolitan Toronto right now, the board should or should not be pursuing this; there can be a number of opinions on that.

The three things that I think should be troubling to this public accounts committee are as follows: first of all, the significant discrepancies between the testimony which we heard from representatives of the Workers' Compensation Board to the effect that this is a done deal, virtually all the i's have been dotted and the t's crossed, and there are just some financing matters to be worked out prior to the shovel going in the ground. That's more or less, if I'm summarizing it correctly, the testimony that we heard from the vice-chair of the board and other representatives.

As well they said, and again I'm paraphrasing, that the board might incur very significant liability in the millions and millions of dollars were the board now to attempt to extricate itself from this transaction. So that's on the one hand, sir, what the representatives of the board said.

Now it comes to our attention that the minister himself is purported to have said, and I'm quoting now from today's Globe and Mail, that "he is not comfortable with the board's plans to build a new office tower at the intersection of Front and Simcoe streets near the SkyDome at a time when all other areas of government have been forced to restrain spending." Now the minister is quoted as saying, "I would much rather, given the current economic situation, not be tied into a new building....I'd like to take another look and that may be what we're facing, depending on whether or not the financing is available."

On the one hand, therefore, we have the vice-chair saying, "We have to proceed with this building now, given the contracts that we've signed," and we have the Minister of Labour, to whom the board reports, saying, "I'd really like to take another look at this," and I suppose he is speaking for the government. Those discrepancies, for this committee, ought to be very uncomfortable indeed. We, as a committee, I think, have a public obligation to make sure that there is some sort of marrying of those two very divergent points of view.

The second matter I think the board needs to consider, again given the significance of this project, is the question of how section 64 applies to the proposal to build this building. Section 64 reads as follows: "Subject to the approval of the Lieutenant Governor in Council, the board"—that is, the Workers' Compensation Board—"may purchase or otherwise acquire such real property as it may consider necessary for its purposes." The section goes on to say that, similarly, it may dispose of such real property, but the issue here is the acquisition of real property.

I think it's clear from the testimony that we've heard before this committee that cabinet approval—that is, the approval of the Lieutenant Governor in Council—has neither been sought nor granted for the purposes of constructing this building, this 30-storey office building in downtown Toronto that the board is planning to finance and planning to occupy as its chief tenant.

There was some suggestion before us during the testimony from Mr King and others that this section does not apply because the board itself is not actually buying or owning the building; the board's investment fund is going to buy and own the building and the board will become a tenant of a building that its investment fund owns.

As a lawyer, sir, I would suggest to you that there are strong arguments that can be made that the phrase in the law which says "purchase or otherwise acquire...real property" includes becoming the principal tenant in a 30-storey office building. When I lease a small factory for my little machine shop, I acquire an interest in real property. It's not a freehold interest; it's a leasehold interest. But it's an interest in real property, as real and as enforceable and as strong and legally binding under the law as the bundle of rights that I acquire

when I purchase my own home outright and own it without a mortgage.

I would submit to you that the intent and thrust of section 64 is that cabinet approval must be sought and acquired in order for the Workers' Compensation Board to enter into this transaction, notwithstanding that it is, from the testimony we've heard, trying to do indirectly what it is prohibited from doing under the laws of this province directly. There is some real issue here as to whether or not the board is bound by section 64. I think we have an obligation to clear up that matter, not only so that if the board actually concludes this transaction it does so legally and under the laws of the province, but just to avoid down the road some possibility that someone interested in that property can challenge the legal right of the Workers' Compensation Board to occupy that property and own that property because, prior to doing it, it didn't get cabinet approval.

There's one more thing that is, I guess, politically troubling here, and that is that on the one hand we have the board saying, "We don't think we have to get cabinet approval," and we have the cabinet minister who would take the matter to cabinet and speak to cabinet on behalf of this proposal were cabinet approval sought, saying, on behalf of the cabinet, "We're not sure that this building should be built." It appears to the public that the reason why the Workers' Compensation Board isn't trying to get cabinet approval to invest in and occupy this building is because it's afraid that cabinet wouldn't approve, and that is very troubling to the public.

1020

The final point that I think requires us to re-examine this issue in some detail is this: The investment fund of the Workers' Compensation Board is a fund that is established for the benefit of injured workers in the province of Ontario; injured workers who are currently receiving pensions and payments from the board, injured workers who are injured today on the job and might be legally entitled to a pension and the injured workers of the future, who will rely on that investment fund in order to get the pensions that they're legally entitled to under the laws of the province. So the injured workers of Ontario are the real beneficiaries of that investment fund, and their interest is that the investment fund receive the highest possible return on its investment.

On the other hand, the interest of the Workers' Compensation Board, funded by levies against businesses in Ontario, is to pay the lowest possible rent that it could in acquiring new space, whether freehold or leasehold, in Ontario. So there is a real divergence of interest between the interest of the investment fund and the people that the investment fund represents—they want to buy a building and get the highest possible rent from whatever tenant rents it—and the interest of the board, as tenant or as administrative organization, in paying the lowest possible rent.

If, as it turns out, we establish before this committee that those two divergent interests were not separately represented in these negotiations that culminated in the signing of this deal, there is very serious concern, at least on my part and I think on the part of the Provincial Auditor and the members of this public accounts committee, that the board did not act appropriately in dealing with itself, in funding for itself a building which it will ultimately own and occupy through

two separate branches of the same organization. If this were to happen in private enterprise, it would be absolutely fundamental that those two divergent interests be separately represented, and we haven't yet found out whether that's the case.

The final point, I think, is this: This public accounts committee spends a great deal of its time reviewing what happened in the past. In a very few minutes, we're going to look, for example, at what happened over the past year and a half or so with the family benefits program of the ministry of—

Mr Mike Farnan (Cambridge): A lot longer.

Mr Noel Duignan (Halton North): A lot longer, Greg.

Mr Sorbara: No, in a very short time we're going to be looking at that.

Mr Farnan: We hope it's in a very short time.

Mr Sorbara: We're going to be looking at what happened in 1991 and 1992. Rarely does this committee get an opportunity to prevent an inappropriate expenditure of public funds. Rarely do we get to intervene in time so that the Provincial Auditor does not have to write a scathing report about ministry X, Y or Z. Rarely does this committee get an opportunity to act to avoid an expenditure that has not been properly approved, authorized or negotiated. We have that opportunity now.

We have the opportunity to bring forward to this committee the chair of the Workers' Compensation Board, who has not yet testified on this matter and I think ought to testify on this matter. We need to know whether or not he advised the Minister of Labour or proposed to the Minister of Labour that this matter be brought before cabinet, as section 64 requires, I submit, and we have an opportunity to bring before this committee the vice-chair of the board, again, and the Minister of Labour to testify before us; so the Minister of Labour, the chair of the board and the vice-chair of the board to clear up these issues before the shovel goes in the ground.

It may well be that this building is a very good investment and it's the only alternative for the Workers' Compensation Board, but everything that I've heard before this committee and everything that I've read and frankly everything that I know about the board and its operations, including my tenure as Minister of Labour, suggest that it would not hurt us in Ontario, at this point, simply to push the pause button on this building, to just push that button and bring the key players before this committee so that the government can make a fair and open decision about whether or not the taxpayers of Ontario and the employers of Ontario, who after all fund the board, ought to be proceeding with this investment.

With your indulgence, sir, I simply want to put a motion before you, and I wouldn't mind hearing from the members of the committee, all of them, including the government members, as to whether or not we could in a sort of non-partisan way proceed with this further investigation. My motion would be as follows:

In view of the fact that new information has come before the public generally and this committee in particular concerning the proposal of the Workers' Compensation Board to invest in a new office tower in downtown Toronto, this committee reopen its hearings on the matter of the construction of that building for the purpose of hearing testimony from the Minister of Labour, the Honourable Bob Mackenzie; hearing testimony

from the chair of the Workers' Compensation Board, Mr Odoardo Di Santo; and seek evidence or testimony from competent legal counsel as to whether or not section 64 of the Workers' Compensation Act applies to the proposal to construct the building mentioned in this motion.

I'm sorry to tell the clerk that I do not have that motion written down, but I will write it down.

Clerk of the Committee (Mrs Deborah Deller): If you just want to give me a note now—

Mr Sorbara: I'll give you that and ensure it's in a proper form.

Mr Derek Fletcher (Guelph): You have to do your homework the night before.

Mr Sorbara: This is a late-breaking matter, I say to my friend who wants my homework done the night before.

Mr Duignan: You had time to get the story in the Globe and Mail last night.

The Chair: Order, please. Mr Sorbara, could you and the clerk take a moment and try to write your motion as quickly as possible so we could make copies for the committee members.

Mr Fletcher: Why not take a five-minute break?

The Chair: I think that might be a good suggestion. I think we're going to take a four-minute recess. We're going to adjourn and we're going to come back at 10:30 am sharp.

Mrs Margaret Marland (Mississauga South): Are you going to require that all motions be written?

The Chair: No.

Interjections.

The Chair: Order, please. The committee is adjourned and I'll address that point by Mrs Marland when we return.

The committee recessed at 1027 and resumed at 1039.

The Chair: The standing committee on public accounts is called to order. I thank the committee members for their patience. We now have the motion typed and printed and copied for all members of the committee and staff.

There are two points I'd like to deal with before we get to Mr Sorbara's motion. One is the point raised by Mrs Marland as we were adjourning in regard to her concern as to why I had insisted on the motion being written and distributed and had not accepted the motion verbally. I did so because I believe the motion is going to be contested. I did so also to assist the Chair and the clerk in reviewing past motions accepted by the committee and past decisions made by myself. I wanted the information in front of me so that I could properly address the previous matters raised and the new matters raised by Mr Sorbara.

It is not my intention to require at all times for members to have their motions written and distributed before we will have any discussion. I think it's more appropriate that we handle each individual case on its own merits, and in that way we could better facilitate the work of the committee.

That item now being dealt with, I want to make comment on Mr Sorbara's points which led to his motion. The committee will remember that approximately a week ago we had witnesses before us in regard to our review of the Workers' Compensation Board's decision to construct a new office tower in downtown Toronto. After a number of hours of debate,

the committee concluded by majority vote that it was not necessary to continue with our hearings and that the original motion accepted back on November 26 by the committee, which instructed the Provincial Auditor to do an audit, was in fact sufficient for the committee.

Those matters were all dealt with approximately a week ago. On two and possibly three subsequent occasions, members have tried to revive the committee's interest in this particular matter. I have on each occasion ruled their efforts out of order because I saw no new information being brought forward, and the matter had thus been dealt with.

This morning Mr Sorbara makes the case that he has new information for the committee to consider, and during his presentation to the committee this morning he made a number of points. He referred to section 64, which I believe the committee has fully addressed and dealt with. He referred to the conflict of interest between the Workers' Compensation Board's investment fund and the Workers' Compensation Board as a tenant, which I also believe the committee has heard and dealt with.

He raised a third point, that being the discrepancies between what board officials had to say and what their lawyer had to say in regard to significant liability as compared to public statements made by the minister of the day, the Honourable Bob Mackenzie. Mr Sorbara referred to today's Globe and Mail, dated January 19, 1993, page A5, where he quoted Mr Mackenzie as saying: "I would much rather, given the current economic situation, not be tied into a new building....I'd like to take another look and that may be what we're facing, depending on whether or not the financing is available." Mr Sorbara contends that this is new information which the committee was not privy to when it made its original decision last week to conclude its hearings.

While it is unusual for a committee to revisit and consider a motion that has already been dealt with, there are instances when it becomes necessary. If new information becomes known which may affect the previous decision of the committee, the Chair may well decide that a new motion may be entertained and further debate allowed. In addition, every committee must be allowed to determine its own agenda, and to this end, the right to reconsider previous decisions with respect to agenda items must be recognized. For these reasons, I will allow the motion to stand and ask for argument to address the information not previously within the knowledge of this committee. Mr Sorbara, your motions stands. I'll allow you five minutes to make your case and then we will start a rotation.

Mr Sorbara: Thank you, Mr Chairman, and I appreciate your ruling. I think the ruling is consistent with the history of this committee and the way in which this committee has conducted its business.

I just simply reiterate the business of new information. It's the new information that has come before us, including statements by the minister himself, which obviously has to be new information because those statements were made subsequent to our concluding our hearings.

The pith and substance, the real kernel of this issue is, does the government of Ontario, not the Workers' Compensation Board, put its stamp of approval on the building of this new building, a new Taj Mahal for the Workers' Compensation

Board? We heard evidence from the WCB that no building in Toronto, presumably no building in Ontario, was suitable for its needs. Their needs were special. All the office buildings that are currently vacant, all the office buildings that are currently in receivership, "Sorry, there's something wrong with every single one of them."

That may be the view of the Workers' Compensation Board but I'm sorry, that board is funded by the taxpayers through levies against employers in this province and those levies, paid by employers, come right out of the pockets of the workers in this province, because if they're going to a WCB levy, then they aren't going into the wage package of workers in this province. We should remember that when we talk about WCB levies.

There's no doubt at all that anyone looking for office space in Metropolitan Toronto right now can come down to the heart of this city, enter into a 10-year lease and get the first five years of that lease rent-free. "Just pay the expenses," the landlords will tell you, "Just pay the heat and the light and the air conditioning and we'll let you occupy the building for no rent at all," and the Workers' Compensation Board says it needs to pay to itself \$26 a square foot for the space it wants to build for itself.

Well, I'll tell you something. I know about the office space that the Workers' Compensation Board occupies around the province. I was minister for two years and visited just about every office. In most places—take Ottawa, take Thunder Bay, take Hamilton—they occupy very classy space and I don't begrudge them that. But in the middle of this depression and in the middle of an economic cycle where we have the worst glut of unoccupied office space we have ever had in Metropolitan Toronto and hopefully we will ever have, for the board to proceed on this matter without the approval of the government, the representatives of the people, and for the Minister of Labour, who represents the board to say, "I hope we can get out of this thing," means that it's our obligation as a committee responsible for dealing with the public accounts, the public spending of the government of Ontario, to make sure that before we proceed, the Minister of Labour and, through him, the government of Ontario is singing out of the same manual that the WCB is singing out of.

The government could approve this thing; our job is to make sure that no further steps are taken, that we have pressed the pause button until the government, not the WCB, has decided whether or not it wants to build another 725,000 square feet of office space, classy office space in downtown Toronto. Thank you, sir.

The Chair: Mrs Marland, you've notified the Chair you wish to reserve your five minutes.

Mrs Marland: Thank you.

The Chair: Thank you. Mr Fletcher.

Mr Fletcher: First, let me just say I'm definitely voting against this motion. We have an agenda.

Mr Sorbara: You don't have to reopen it today.

Mr Fletcher: You've had your five minutes, Greg.

We have an agenda and we have people who are coming before this committee to make presentations. The agenda is quite full to be bringing up other items such as this. One thing that interests me, though, is that if we were to investigate

anything, I'd like to investigate how the workers' comp got a numbered company in the first place when you were the minister.

I think it shows a lot of mismanagement, that the government didn't know what was going on, didn't know that this numbered company was being made and didn't have approval from your government. If there's a problem it started there, and I think if there's going to be an investigation the minister should investigate what's going to happen. The minister has made statements and they should investigate what you were doing when you were in government.

1050

Mr Sorbara: On a point of order, sir.

Mr Fletcher: Obviously the laissez-faire approach to government that you have isn't going to work.

The Chair: Order, please. Mr Sorbara, what is your point of order?

Mr Sorbara: On a point of order, sir: I want to put it before the committee that if it is within the orders of this committee, I am willing to step down as a committee member and testify as a witness before the committee.

The Chair: Thank you. That's not a point of order, but it's an interesting point.

Mr Fletcher: Again, we as a committee are looking at money that has been spent and the way ministries are working. Does that mean that every time a minister makes a statement about what is going to happen within his ministry we have to bring it back to this committee? A minister is allowed to say: "Hey, maybe there's something wrong with this and maybe there isn't. In the economic climate, I wish the brakes would have been put on this." That's all the minister said—"in the economic climate." Had this been a boom time, when there would have been time for construction, perhaps the minister wouldn't have said that.

To reopen this again, as far as we can see on this side, is just political grandstanding by the member. It's something that obviously he must have known about when he was the minister. It's something that just didn't pop up out of nowhere. It came when there was mismanagement going on with the former government. Now we're paying for that mismanagement. To open up this now with the people who are coming in before us in the number of weeks that we have of committee hearings—we have important business to discuss today on the family benefits assistance. I think we should just get on with the job of what we're supposed to be doing, as set down by the agenda, and stop going around on a witchhunt.

The Chair: Mr Farnan, about three minutes.

Mr Farnan: Pardon?

The Chair: Two and a half minutes.

Mr Farnan: A couple of contradictions: Last week, even in Mr Cordiano's motion, the opposition Liberal delegation to this committee was talking about the rent being too high, exorbitant. They were talking about \$380 per square foot. Now, today, they're saying that because of the conflict of interest they're too low. It seems to me that the opposition is seeking every possible way, even in a contradictory manner, of addressing this issue.

But there are some basic items. We had the vice-chair and senior delegates from the Workers' Compensation Board. We had six hours in which to question them, and they were questioned very thoroughly. There were issues raised. In bringing a conclusion to our deliberations, the committee took some solace in the fact that indeed an inquiry from the Provincial Auditor was part of the comfort level this committee would have.

After six hours of deliberation, we then went on to say we have other work to do as a committee. We have delegates sitting before us. This delegation has been sitting before us for an hour. We have basically ignored them and not carried on the business that was designated for this day.

Mr Sorbara and other opposition MPPs argued last week at meetings of this committee, and all of the arguments, I believe, have been reiterated today. I do not believe that a statement by a minister which says, "I think I want to have a look at this"—in fact, I would say that gives me comfort. It gives me comfort that we have a minister of the stature and integrity of Bob Mackenzie who says: "Yes, we've had some good questioning from the committee. I'm going to look at the deliberations of the committee. I'm going to have a look at this." But, believe me, what we are seeing here this morning amounts very simply and basically to political grandstanding of the most crass sort.

I certainly believe that we have deliberated on this long enough. We passed a motion to that effect. I think it is an absolute insult to allow this clock to go on beyond an hour while delegations that have prepared themselves come before this committee waiting to be heard and we are not listening to them.

The Chair: Mrs Marland, would you wish to use your five minutes now?

Mrs Marland: First of all, I think we should recognize that this is a very significant motion. It's significant in a number of areas, not the least of which is, this motion is being placed by a former Minister of Labour who for two years was directly responsible for the Workers' Compensation Board.

The other part of this motion that is really significant is the committee in which this motion is being made. This is the public accounts committee; this is the committee that is accountable to the public for the expenditures of the government or its agencies, boards or commissions. The auditor reports to this committee. That is self-explanatory in terms of the importance of this committee and the credibility of this committee.

Frankly, I think the NDP are the people who are doing the political grandstanding here, really almost by reverse osmosis, because by shutting down the public accountability of the public accounts committee, they are saying to the people of this province: "We don't care how money is being spent. We don't care if the WCB, with a \$13-billion underfunded liability with its fund, is going to build a 30-storey office building when there's 23 million square feet of office space available in Toronto today."

It's very interesting when Mr Dweegan says that the mover of this motion was able to get this into the Globe and Mail last night. I think what the member, Mr Dweegan, is

missing in this whole debate is the fact that the Globe and Mail phones people when it is concerned or its journalists are concerned about an issue that maybe has to have more public input to it, not from an opinion of the Globe and Mail but just in reporting the facts. I think if people are concerned about the media, then it should tell you something. It should tell you that the public is concerned.

I think we should be concerned as the committee. Yes, we had the WCB in front of us last week for five hours, and during that time Mr King, the vice-chair, told us they had received three or four legal opinions about whether or not the WCB could build this building—three or four legal opinions. The next morning Mr King produced one opinion. Doesn't that tell you something? Maybe the other two or three opinions were not in support of their building this office tower.

I think in fact that there have not been enough questions raised and I think the government members of this committee are the people who are scandalous. I think you're shame-faced. I can't believe that you can go back to your individual ridings and say that you've done your job as an elected person representing the public purse. I think when we have one opinion—

Mr Randy R. Hope (Chatham-Kent): No problem, Margaret.

Mr Duignan: No problem now, Margaret.

The Chair: Order, please.

Mr Duignan: You're the one who's shameful.

Mr Hope: We've been intimidated.

The Chair: Order, please. All interjections are out of order. I'm going to give Mrs Marland another 30 seconds.

Mrs Marland: It was Mr Dweegan who asked the lawyer—

Mr Duignan: Get my name right.

Mr Larry O'Connor (Durham-York): Who is Dweegan? Can we find out who this Dweegan is?

Mrs Marland: Is this using up my time with the interjections?

The Chair: No, Mrs Marland. I'm not going to allow it to infringe upon your time. I'm adding a moment to your time.

Mrs Marland: Thank you.

Mr O'Connor: Find out who Dweegan is.

Mrs Marland: One of the NDP government members asked the lawyer for the WCB, if the WCB reneged on this contract to build this \$200-million, 30-storey office building, would it be sued? He must have had some concern to ask that question, and the very fact that he was concerned about a breach of contract and how much it must cost the government—wouldn't you think that what would follow from that question was the concern that there were questions that still had to be asked and there were answers that still had to be sought?

The fact is that on the basis of one legal opinion and one answer, this government, or the government members of this committee—and I don't know who is directing them—are willing to say: "We don't want to hear any more. We're going to close this whole debate down. We're going to let the public

of this province spend \$200 million when it isn't needed." I say simply that for this motion to be defeated, as we know it will, by the government members, is putting to shame—

Interjections.

1100

The Chair: Order. I can't hear a word Mrs Marland's saying and I'm going to keep adding time to her allotted time until I can hear her argument. Mrs Marland, can you please proceed?

Mrs Marland: Thank you, Mr Chairman. I think what has to be said is that this is the public accounts committee. If the government members of this committee do not wish to be accountable, then they should seek an appointment to another committee. The fact is that we do have new evidence, and that's the reason this motion is placed today. We not only have had the Treasurer say that he is concerned about this building; we now have the Minister of Labour saying he'd like to take another look at it. If the minister is so highly respected by the government members of this committee, why would they not support their minister, who said he would like to take another look at it?

The fact is that negotiations are possible to get out of this contract, negotiations that might cost the public purse some money but certainly not \$200 million. This is an important motion, Mr Chairman, and I hope that with a recorded vote each of these government members will be able to show their face in their constituencies when they vote on shutting down the public process.

The public has a right to know where the money is being spent and how, and above all if the money is being spent legally. We do not as yet have anything other than one legal opinion before this committee. With respect, a lot more investigation has to take place and a lot more answers given to the public of this province before this building is built.

The Chair: Thank you, Mrs Marland. Earlier on I advised the committee members that I was going to allow five minutes per caucus for debate, in view of the fact that we have other witnesses here today whom we've asked to appear to give testimony in regard to other matters that the committee is interested in. I'm hoping the committee will agree with me that we've now concluded our five minutes per caucus and that has been enough time for debate.

Mr Cordiano: On a point, Mr Chairman.

The Chair: On a point of order, Mr Cordiano?

Mr Joseph Cordiano (Lawrence): Given the fact that this is a significant motion and that it was brought up at this point today, I think the debate has to be sufficient in order to satisfy that in fact we've covered all the aspects of this initiative or this motion. I don't believe we have yet, so I would hope that you would allow other members to have some say and perhaps we could be as expedient as possible in our remarks. But because I had the original motion, I would like to speak to this additional motion, which I think is rather significant at this point. I'm just asking, Chairman, to be allowed to speak for a few moments, notwithstanding that we have other witnesses here today. But we've chosen to go this way at this time, so I believe it's appropriate.

The Chair: The Chair is in a very difficult position, because I want to ensure that we can move forward by consensus on matters as simple as this. It appears that we have no consensus. If I were to allow additional time for debate, could I be assured that we would be hearing new information and new items and not a repeat of what we have already heard?

Mr Cordiano: Yes.

Mr Duignan: No, you can't assure that.

Mr Cordiano: I can assure you that, Mr Chairman.

Mr Hope: I don't know what you're going to say, so I can't assure it.

Mr Cordiano: I don't think it's entirely out of order.

The Chair: I'm not going to get consensus. What I would like to do then is ask for unanimous consent to give each caucus a further three minutes.

Mrs Marland: Agreed.

Interjections: No.

Mr Robert V. Callahan (Brampton South): They tried to cut it off again.

Mr O'Connor: Let's do it after 6 o'clock.

The Chair: Can I have unanimous consent for three minutes per caucus, please?

Mrs Marland: Agreed.

The Chair: Thank you. Mr Cordiano, you have three minutes.

Mr Cordiano: I want to make this point because it's of particular concern to me with respect to the way in which this committee is now conducting its business. I want to refer back and refresh members' memories about the investigation we did into the Toronto Hospital. I want to remind members that we took and exhausted every avenue open to us based on a series of allegations that were made by union representatives about the misconduct or the alleged wrongdoings of the hospital with regard to expenditures.

Interjection: Alleged.

Mr Cordiano: Alleged misconduct; I want to be clear about that.

The auditor and his staff took some 2,500 man-hours to conduct a series of investigations there. As well, this committee was open to a variety of sessions with both the union representatives and hospital officials. That was a serious matter, and likewise it is of significant value for this committee to conduct further investigations in light of the new information. I can't see why we are being inconsistent in this regard.

When there was additional information presented to the committee with respect to those other investigations, we pursued them to their fullest. So I think it's important that the committee continue in its commitment to pursue whatever avenue is open to it when further and additional facts are presented to it that are significant. This requires that, it demands that and I think it's within our mandate to do that.

The Chair: Thank you. Mr Jackson, three minutes.

Mr Cameron Jackson (Burlington South): It strikes me that if we examine the comments made in last week's Toronto Sun and in this week's Globe and Mail, it's very apparent that there is some doubt in the mind of the current Minister of Labour, Mr Mackenzie, about the propriety of this

move by the WCB. Given the full scope and magnitude of this issue, that being that there is considerable vacant space in downtown Toronto, that the owners of the commercial real estate in downtown Toronto, Ontario, today is disproportionately held not by foreign interests but by several of the public pension plans in this province, and the fact that workers who have their pensions are already investing heavily in real estate in downtown Toronto and they have vacant space, it strikes me that we are now saying to an injured worker, "We'll put one of your pensions which needs a bit of a boost—we're now going to take your WCB pension and put it at risk by acquiring the most expensive real estate possible."

Mr Callahan: And there's \$52 billion out there.

Mr Jackson: Thank you, Mr Callahan. But the point I'm trying to stress here, Minister, is that today's Minister of Labour should not be considering, and I believe Bob Mackenzie is not considering, usurping or sidestepping the work of this committee. I believe that if the comments are accurately reported in today's *Globe and Mail*, it's clear that the minister himself is awaiting the outcome of this committee's deliberations; the minister himself is saying that there is a role for this committee to investigate this issue; the minister himself believes that workers will not be well served by this kind of move and he himself, the Minister of Labour, is saying quite frankly that it would be appropriate for this to remove it.

I don't think the minister has the time to intervene. I think he would be more than pleased if this committee finished what it started last week, did it properly and recommended to this government that the injured workers in this province would be better served by making sure that all available monies in that fund are going to pay out workers' pensions and not to pay for expensive real estate in downtown Toronto. I believe that's the sum and substance of this concern, and frankly, again I must remind the NDP members, who've already served notice they're going to block this, to just read what their own minister's department is saying, that it has serious concerns and the matter should be reopened.

The Chair: Thank you, Mr Jackson. Mr Hope, three minutes.

Mr Hope: In light of the comments that were made by Mrs Marland I thought it was my opportunity to make some comments, because she talked about holding your head in your own constituency and being accountable. It led me into why I have to vote no as I'm a substitute on this committee and here for a reason, to deal with the Community and Social Services issue talking about what the government is doing.

When you talked about accountability, I was very shocked when I heard the comments about spending a few thousand or a million dollars to break a collective contract. I was very shocked by what I heard yesterday. On the contrary, it was a different scenario. I sit here and I say if anything is more of a public interest right now, it is the attacks on social services.

I know, Mr Chair, even in your own community you've received calls about people who are on social services and potential fraud and all this, and people are saying, "What's the government really doing?" This is the opportunity for us to move on this agenda, because I'm only here for the duration of this part and I move on to another committee, but it's an opportunity. While we have the visual aspect of television

and an opportunity to sit in the living rooms of people, it gives us an opportunity to show what this government is doing for past errors and what we're going to do as a future initiative to try to correct some of the problems that exist with the social services in the FBA area.

I think the public auditor has come out with a good report, and it's an opportunity. It was an opportunity to examine what previous governments were doing, what governments are doing today, and our future direction as the New Democrat government. So if we talk about importance to the general public, I would say that whether to build—and I haven't heard a major cry from my constituents about building a new office building, but I have heard the major cries about social services. I think this is the perfect opportunity for us as a government to move on with the agenda, quit the political games and to start addressing the issues that face the people of the province. Their concerns are returning back to a job and how the government is effectively and efficiently spending their money and helping people.

The Chair: That concludes the debate on Mr Sorbara's motion.

Mrs Marland: Recorded vote.

The Chair: Mrs Marland has asked for a recorded vote.

Mr Duignan: I request a 20-minute recess.

The Chair: Mr Duignan has requested a 20-minute recess. The committee will recess and the committee will resume at 11:32 sharp.

The committee recessed at 1112 and resumed at 1130.

The Chair: The standing committee on public accounts is called to order. I believe all committee members are now present. The standing committee on public accounts is dealing with Mr Sorbara's motion, which reads:

"Given the new information that has come before the public generally and this committee in particular concerning the proposal of the WCB to construct a new office tower in Metro Toronto, the committee reopen its hearings into that proposal for the purpose of hearing evidence from (1) the Minister of Labour, (2) the chair of the WCB, (3) the vice-chair of the WCB, and (4) evidence concerning the applicability of section 64 of the Workers' Compensation Act."

Mrs Marland has requested a recorded vote and the clerk will call out your names as the motion is being put.

All in favour of Mr Sorbara's motion please raise your hands.

Ayes

Callahan, Cordiano, Jackson, Marland, Sorbara.

The Chair: All opposed.

Nays

Duignan, Farnan, Fletcher, Hayes, Hope, O'Connor.

The Chair: The motion is defeated.

Mrs Marland: On a point of order, Mr Chairman: I wish to refer to the Hansard of Monday, January 11, 1993, which was the afternoon session of the standing committee on public accounts. We were in the process of asking Mr King, the vice-chairman of the Workers' Compensation Board, a number of questions. One of the questions which I asked was on

how many legal opinions Mr King had suggested the board had received. In fairness, I will read my question first and his answer so that you can understand what the point of order is.

My question reads: "I think first of all, I want to ask you—you told Mr Tilson, in answer to one of his questions, about why the board had decided to waive a requirement for an order in council to go ahead with this gigantic investment, and you said the board made the decision to waive that requirement based on three legal opinions. Am I correct?"

Mr King: "Yes. I said two and possibly three."

Further on, Mr Farnan, there is a point raised about whether we need to obtain these opinions from other than the WCB counsel. There was a suggestion that maybe the committee would request its own legal opinion.

On page 1635-3 of January 11, 1993, Mr Farnan said: "I'm not disagreeing, but I'm just going to move deferral of the request until such time as we get the information that's brought forward by the delegation."

I raise this as a point of order, Mr Chairman, because I believe the vice-chairman of the Workers' Compensation Board lied to this committee. I realize this is a very significant comment for me to make, but I think based on the record of Hansard, Mr King agreed to bring those opinions. There is another reference in here where you, as Chairman, have agreed that the opinions should be brought before the committee and Mr King agrees to bring the opinions before the committee. The following morning, Mr King came before the committee with one legal opinion.

My concern is, where does this committee stand with regard to the testimony of a witness before this committee who, under the direction of the Chair—if you want me to give you your quote, it's on page 1630-3 of January 11. The Chair says:

"Well, we usually work by consensus. I don't know if there would be any—the question Mr Tilson has—let me put it this way: The public accounts committee has asked the board representatives to bring forward their legal opinions, which would indicate that they could not have to deal with section 64 or that they were somehow exempt from section 64 or that whatever they were doing did not fall under section 64, any one of those three. So they're going to bring forward their legal opinions."

That's a quote attributable to you as Chairman. The legal opinions, according to Mr King, were two and possibly three. The next morning, as I say, he came before this committee with one legal opinion. So I feel that this committee has not been treated respectfully by the vice-chairman of the Workers' Compensation Board. Either he was lying, that they do not have two and possibly three opinions, or for some reason, after promising that they would bring those opinions before this committee the next day, he chose only to bring one.

The Chair: Order, please.

Mr Sorbara: The other two opinions said that they couldn't do it.

The Chair: I concur with you that the point you raise is quite serious. I remember very clearly all of the quotes you have re-read into the record made by myself, Mr Farnan and yourself, and some of the words spoken by Mr King. You

might have a point if the committee were in fact still dealing with the WCB matter.

The committee a week ago decided to conclude its hearings by motion and by vote. The committee again today decided that the matter was not significant enough to reopen, that we did not in fact have new information which swayed a majority of the members to reopen the matter. As far as I'm concerned, the decision of the committee of last week stands today, and that is that the committee has concluded its hearings into the WCB matter. No matter how I personally feel about it or how anyone on this committee personally feels about it, the committee's decision must stand and I'm not allowing any more discussion on the WCB matter, but I thank you for bringing that to my attention.

Mrs Marland: Mr Chairman, I have a point of privilege.

The Chair: A point of privilege.

Mrs Marland: My point of privilege is that I feel that I have been misled by the vice-chairman of the Workers' Compensation Board, and I would seek direction from the Chair as to how I might deal with that matter. The fact that this committee and the members of this committee, including myself—my privileges have been violated by those facts I've just placed on the record. How can I deal with it?

The Chair: Order, please. Mrs Marland, I understand your concern and I know how upset you are about this. First of all, let me say that it's not a point of privilege. What you've described to the committee is your view on whether or not the board has more than one or two or three legal opinions and your view on the testimony given by Mr King. I have no way of knowing whether you're correct or whether Mr King is correct. Therefore, the Chair cannot rule on the matter. I reiterate that the matter is closed and the committee will continue its work which is listed on the agenda for Tuesday, January 19, 1993.

I thought, just for the benefit of the committee, I would take 30 seconds to remind the committee that in the past week we have in fact reviewed and called witnesses that have dealt with (1) the Workers' Compensation Board, (2) the registrar general's office, (3) the chief officials from the elevating devices branch of the Ministry of Consumer and Commercial Relations and (4) the Ombudsman. So the committee is moving right along as far as its original agenda is concerned and we've concluded a great deal of work, in my view.

Mr Jackson: A point of clarification, Mr Chairman: On that point, was there not a request to have the Minister of Housing here for the February set of hearings? I did not hear her name.

The Chair: I have a notice of motion which was given to the committee by Mr Tilson. I don't see Mr Tilson here.

Mr Jackson: Mr Tilson was required at another meeting. I wondered, in the best interests of the minister for proper notice and for the orderly progress of this committee, if we might at some point deal with that issue. If the Chair could rule on a time, I could make sure that Mr Tilson is here to argue the motion. He may not be able to vote on it, but to argue it. I just think it's not fair to the minister that, if it is the committee's wish, we don't tell the minister a few days before we need them.

Mr Cordiano: Could I help, Mr Chairman, because I was sitting in the chair at the time when this was—

1140

The Chair: I'm informed by the clerk that the motion has in fact been moved by Mr Tilson. Can I get the log, please?

Mr Cordiano: It was deferred to today, to be debated today at some point in time. As Mr Tilson was not able to be here today, we decided that we would deal with his motion in his absence.

Mrs Marland: That's right.

The Chair: Thank you. Mr Cordiano is correct. In my absence, Mr Cordiano assumed the chair and on January 12, during Mr Cordiano's time in the chair, he heard from Mr Tilson, who moved—and I'm reading directly from the clerk's log—"that the Minister of Housing shall appear before the standing committee on public accounts during its consideration of the Provincial Auditor's report on non-profit housing."

The motion was placed on our agenda to be dealt with prior to hearing from the witnesses, who have been patiently waiting for us all morning. Mr Jackson, do you wish to speak to Mr Tilson's motion? I'm going to allow five minutes' debate per caucus.

Mrs Marland: I would like to, as the critic for Housing.

The Chair: Mrs Marland, you're allowed five minutes.

Mr Jackson: You didn't want to hear from me anyway.

The Chair: Point of order, Mr Farnan.

Mr Farnan: I understand that we want to deal with this motion, but in courtesy to the delegation, surely this is something that can be left to the conclusion of the day. It is now an hour and 40 minutes that we've had senior people sitting waiting to be heard by the committee and I think the committee should demonstrate some flexibility and get on with the business that was designated for today, and that is to hear this delegation. Really, it is an insult and a great inefficiency for this committee to be going on and on while this delegation sits and waits, very patiently I might add.

The Chair: Mr Callahan, on the same point of order.

Mr Callahan: Although I disagree with my friend's logic on the point of order, I think we could at this point, Mr Chair, dismiss these people, to come back at 2 o'clock, rather than have them wait. We're going to be dealing with this, as I think you've said, for five minutes each caucus. That will be 15 minutes. That will take us to adjournment. Perhaps you could give them an extended lunch hour.

The Chair: I think that's a very good piece of advice.

Mrs Marland: On the same point, Mr Chairman, I'm quite happy to agree to have the motion deferred to a time this afternoon, with the agreement of the committee, rather than have the staff leave.

Interjections.

The Chair: Order, please. I've heard everyone's thoughtful suggestions. I appreciate the committee's help. I am going to thank the delegation for patiently waiting all morning. I'm going to ask the delegation to return at 2 pm. We're not going to get around to you this morning. I apologize on behalf of myself and the entire committee, but there

was other pressing business that had to be dealt with. So we'll see the delegation this afternoon at 2 o'clock.

I'm going to start the rotation for Mr Tilson's motion, and I believe Mrs Marland wanted to make the case. Five minutes.

Mrs Marland: The significance, I think, of Mr Tilson's motion is that he placed it to be dealt with as early as possible by this committee in order to facilitate the Minister of Housing herself. Obviously, when the House isn't sitting, we respect the fact that ministers have their own schedules of appointments and commitments, and because the subject of the Ministry of Housing is coming before the public accounts committee, I think the week beginning March 8—am I correct, Madam Clerk?

The Chair: I believe you're close, yes.

Mrs Marland: I think it's March 8 that the Ministry of Housing is before this committee. A lot of the questions that will be raised at that time have a great deal to do with policy, and the fact is that, as with any ministry, policy areas are the responsibility directly of the minister, representing the government.

We have many examples of very serious situations in the non-profit housing business in this province. Every week we have another example of where the taxpayers' money is being totally exploited under the guise of the provision of affordable housing when in fact the only people benefiting are the people between the government and the people looking for housing, namely, the planners, consultants etc.

We also have examples that, as you know, Mr Chairman, have now been reported in the media where we have at least two non-profit housing projects in Toronto where land has been flipped within the non-profit organization and there have been benefits to people in real estate. There have been benefits to people on boards of those non-profit agencies and the whole situation of the provision of affordable housing through the non-profit building program is something the public needs some answers on that quite frankly have to be given by the minister, who is accountable in the end for what happens with Ministry of Housing programs.

We feel that in fairness to the minister herself, she would want the opportunity to be here and not just dump it on to her deputy or her assistant deputies to deal with the kinds of questions that need to be asked. I would bear in mind in placing this motion, of course, that these questions have been raised by the auditor. The auditor has identified problems with the non-profit housing program in this province and since the auditor's report has come out, in my position as the spokesperson for Housing for our PC caucus, I have been given a lot of information about a number of existing examples of where non-profit housing as a program is not providing affordable units to the people who need them. In the whole process the government is spending millions and millions of dollars, but it doesn't end up with units being built for the individuals who need them.

Having said that, I think the point is that the question of the scandals going on today in the non-profit housing program are of such dimension and such seriousness that it is important to have the minister here to answer those questions, not just her staff.

The Chair: Thank you, Mrs Marland. Mr Duignan, five minutes.

Mr Duignan: In response to the motion, and indeed to Ms Marland's remarks where she basically wants the minister to come to discuss policy issues, it's not the function of this committee to discuss policy issues of the government, it's to discuss the administration of those policies in the department. I want to review the role of this committee and I want to have a look, for example, at what Graham White has to say about the role of this committee. He was, I understand, the assistant clerk in the Ontario Legislature from 1978 to 1984 and he goes on on page 212 of *The Ontario Legislature*:

"Although they are free to attend in their capacity as members of the Legislature, ministers very rarely come to meetings of the public accounts committee. Invitations to attend are directed to deputy ministers or, in the case of agencies, boards and commissions, to chairmen or presidents. The committee calls before it the civil servants rather than the politicians in part to emphasize the bureaucrats' responsibility for administration and in part to avoid the partisanship that inevitably accompanies the appearance of a minister before a committee."

I want again to emphasize that role, and I had a look at what the Guidelines for Public Accounts Committees in Canada says on the issue. It's dated 1989 and in chapter 2.3 dealing with the non-partisan nature of a public accounts committee's tasks:

"The public accounts committee should operate in a non-partisan fashion if it is to effectively conduct a searching and rigorous scrutiny of government expenditures.

"If the PAC is to meet the growing challenges placed upon it, and achieve its full potential to improve the value for money obtained from government expenditures, it is essential that its work be conducted in a non-partisan and open atmosphere. The fact that the committee scrutinizes administration rather than policy helps to achieve this goal. As legislators, all members of the PAC are pursuing common goals: to ensure that government complied with the wishes and authorizations of the Legislature, to obtain maximum value for money from government expenditures and to ensure that government policy is implemented as effectively as possible."

Also: "This work requires the cooperation of all committee members regardless of party affiliation if the PAC is to be effective. If committee members try to bring partisan politics into the work of the PAC, it will be disruptive, and will reduce the PAC's effectiveness and credibility."

1150

Again, Mr Chair, this committee's basic mandate is to promote economy, efficiency and effectiveness in public spending and not to discuss the merits of government policy. So that's my argument in relation to this particular motion, and the reasons why. I feel that the witnesses who are scheduled to appear before this committee, the deputy minister etc, will be quite effective in answering any questions that any member of this committee has. Therefore, this side will not be supporting the motion.

The Chair: Thank you for your information, Mr Duignan. Mr Callahan, five minutes.

Mr Callahan: Mr Dwignan, you're operating in technicolor. I agree with you totally that the purpose of this committee is to be non-partisan. However, you people have just demonstrated by voting against Mr Sorbara's motion that you

were exercising the highest degree of politics. You were flying in the face of what you suggested, the fact that this committee's objective is to ensure the government is accountable for the expenditure of moneys.

You had the WCB in here trying to spend \$200 million to build accommodations for itself, a palace, in the city of Toronto where there's \$52 billion worth of vacant space. I don't know how you can sit there with a straight face, Mr Dwignan, and say that, while your other colleagues off-camera are laughing because they know just how ridiculous it is, that in fact the vote that took place was one that was done on a partisan basis. Now I want to get to the question—

Mr Farnan: Mr Chair, a point of order.

The Chair: We have a point of order. I'm sorry to interrupt you, Mr Callahan.

Mr Farnan: In September 1990, Mr Duignan was elected to this assembly. There is absolutely no reason why members of both opposition parties should mispronounce his name, and if we are amused, it is because of the fact that after two years, Mr Callahan (a) refuses to pronounce, or (b) purposely mispronounces the name of the excellent whip of this committee. I would appreciate it, Mr Chair, if you would put an end to this kind of nonsense on committee.

Interjections.

The Chair: Order, please. Order, please. While not a real point of order, I understand that it is a point of concern and I share your concern, because I've been here 18 years and people still mispronounce my name. So not only do I want the committee members to pronounce Mr Duignan's name properly; I want the committee members to pronounce my name properly. Mr Callahan, please continue.

Mr Callahan: I'm sorry. I'm looking at your nameplate and I was pronouncing it as best I could. Is it Duignan?

Mr Duignan: Duignan.

Mr Callahan: Duignan. I apologize, Mr Duignan. No one should mispronounce somebody else's name.

But I still go back to the question that if you people are saying the public accounts committee is to be non-partisan, which traditionally it's supposed to be, then let's start practising non-partisanship all around this room, instead of voting against motions to bring forward the WCB, which is a very considerable issue to be decided by this committee.

The minister is saying, on the one hand, that he doesn't want it, that he thinks it's not a good idea, and yet you guys are getting your marching orders from somebody else and you have to caucus when—I don't understand why you had to caucus.

I think it's important to have the minister in here for that very reason, because if this happens again and the minister is saying one thing in the press and you guys are saying something else in a vote and trying to silence this committee, then in fact we can ask the minister: "Well, minister, what is it? Is it your caucus? Is it the members of this committee? Have they been given different marching orders by another minister?" I think it's important to have that minister here.

I look at the things in the auditor's report. There are very significant concerns there, when you still have operations being proposed on land values that have decreased, when you

see that there don't appear to be any operating agreements in place, when you read in the press about the non-profit corporations giving some of their people in their corporations a year off, a sabbatical. What's going on here? Give me a break.

The taxpayers of this province deserve better than that. If you believe truly, as members of the public accounts committee, that your responsibility is to look after government spending or overspending, well then, you'd better get with it. Don't start preaching to us from Graham White. Start acting the part. I think this committee should get back to that question. Partisanship doesn't do anything for any of the taxpayers of this province.

That's why I think the minister being here is absolutely essential. If I find that you vote against the minister being asked to come this time, then I have to conclude that it's a second partisan shot by you people, even after Mr Duignan says, "This should be a non-partisan committee." Give me a break, Mr Duignan. You'd better get in line with your colleagues and make sure that they're following the same profile that you're trying to put forward to the people of Ontario. Do you think they're stupid? They just have to look at the motion and the fact that Mr Farnan passed a motion which literally silenced this committee in looking into this issue, pursuing one of the most important issues in a time of a devastating crisis where you can't even keep half of the promises, 1% of the promises, you made to the people who elected you, because there's no money.

Mr Duignan: It's more than you did.

Mr Callahan: Thank you, Mr Chair.

Mr Jackson: Point of order, Mr Chairman: I wish to register an objection and perhaps provide the opportunity to clarify the record. When Mr Duignan read the reference to Mr White's commentary on the activities of this committee, the clear statement, and therefore the inference, was put on the record that civil servants, senior government bureaucrats, give different answers before this committee based on the presence of their minister.

I, for one, object to that and do not believe that's an appropriate commentary to be endorsed by members of this committee. I reject it wholeheartedly, and if that's the position of Mr Duignan, I wish him to withdraw it. I think it's an offence. I frankly have a little higher regard for the presence of the senior administrators who present themselves to this committee, but that was the clear inference as part of his rationale. I would hope that he would distance himself from at least that part of Mr White's diatribe.

The Chair: Thank you. Mr Callahan had one moment left, if you wish to use it, Mr Sorbara: 60 seconds.

Mr Sorbara: Thank you, Mr Chair. I'll just be very, very brief. I wish it were the case that you, sir, as the Chair, were able to make these decisions and not put them before the committee. I simply put it to the committee, which will make this decision, to put the two sides of the issue on a scale: What are the relative risks and rewards of asking the minister to attend?

On the one hand, if we do ask her to attend, it takes up some of her time, but that's not a great risk, and it puts her in a somewhat vulnerable position because she will be put on the spot politically. But, after all, as politicians that happens

every single day of our lives as elected representatives. On the other hand, the risks of not calling her before the committee are that some very important information that only the minister can speak to in terms of policy and the administration of non-profit housing will not get before the committee.

On the one hand, if we ask her to come, there is some potential of political embarrassment. But on the other hand, if we ask her not to come, there is, I think, significant potential that information this committee needs to make up its mind will not be before the committee. That's why I'm asking you as NDP members to support this motion.

Mr Jackson: Call the question, Mr Chair.

Mrs Marland: Recorded vote.

The Chair: Mrs Marland has asked for a recorded vote. The clerk will call the names of the members as—

Mr Callahan: I'd ask for a brief moment to allow us to get all our members here.

The Chair: How much time do you need, Mr Callahan?

Mr Callahan: I don't know. It depends. You might get some of them over there changing their—

Mr Sorbara: Two minutes.

Mr Callahan: Two minutes if we can get—

Mr Fletcher: Take five.

Mr Callahan: Five minutes. All right.

The Chair: Why don't we all just stay in the room here, and could you find out how long it will take to get our other colleague to return? That way we're not using up precious time.

Mr Callahan: Okay, I'll see if I can find him.

The Chair: So the committee will stand adjourned, but I would ask members to please—

Mr Jackson: Stand adjourned in their place.

The Chair: Stand adjourned in their place; thank you for your help, Mr Jackson.

The committee recessed at 1159 and resumed at 1202.

The Chair: The standing committee on public accounts is called to order. The committee will be dealing with Mr Tilson's motion, moved by Mrs Marland. It reads:

"That the Minister of Housing appear before the standing committee on public accounts during its consideration of the Provincial Auditor's report on non-profit housing."

Mrs Marland has asked for a recorded vote. The clerk will call your names during the vote. All members in favour of Mr Tilson's motion, please raise your hands.

Ayes

Callahan, Cordiano, Jackson, Marland, Sorbara.

The Chair: All members opposed to Mr Tilson's motion.

Nays

Duignan, Farnan, Fletcher, Hayes, Hope, O'Connor.

The Chair: Mr Tilson's motion has been defeated. The minister will not be asked to appear.

It now being past 12 of the clock, this committee stands adjourned until 2 pm this afternoon.

The committee recessed at 1203.

AFTERNOON SITTING

The committee resumed at 1405.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1992
MINISTRY OF COMMUNITY AND SOCIAL SERVICES

The Chair: The standing committee on public accounts is called to order. The committee has scheduled a number of witnesses from the Ministry of Community and Social Services. I believe the deputy minister is here, Charles Pascal. Mr Pascal, could you please take the time to introduce yourself and your colleagues? I'd like to ask you whether you have an opening statement and how long it might be.

Dr Charles E. Pascal: Okay, thank you, Mr Chair. With respect to your second question first, I do have an opening statement, which should take me about 15 to 18 minutes.

Mrs Marland: Do you have copies?

Dr Pascal: Yes, I do.

Mr Sorbara: Does it touch on the Workers' Compensation Board?

Dr Pascal: I rewrote a few of the paragraphs, Mr Sorbara.

Mr Sorbara: All he has to do, now that his predecessor—

The Chair: Order, please. Mr Pascal, you have the floor.

Dr Pascal: Thank you, Mr Chair. With respect to my colleagues present, Alison Fraser is director of the income maintenance branch, John Stapleton is director of special projects, Andre Iannuzziello is the head of our cost containment project in social assistance, Shirley Hoy is the assistant deputy minister of social assistance and employment opportunity, Margaret Gallow is the acting ADM for operations and Colin Rowe is the direct services manager of income maintenance in Toronto. The reason for the size and the breadth and quality of the delegation is simply to afford all members an opportunity to ensure that, because of the complexity of the issues, our answers are both fulsome and accurate.

The Chair: Obviously you know why you're here. Mr Pascal, you have the floor.

Dr Pascal: Thank you very much. Mr Chair, we very much welcome this opportunity to appear before you to engage in a dialogue and answer your questions about the ministry's family benefits program. The 1992 Annual Report of the Office of the Provincial Auditor was, as you know, released last month. As part of the annual auditing process, the ministry's family benefits assistance program was reviewed and the results of that audit are included in the final report. As you're all aware, the Provincial Auditor found that administration of this program was less than satisfactory, largely—noted often in the report—as a result of understaffing caused by escalating case loads.

As stated in our response included in the final report, we appreciate the validity of the findings of the Provincial Auditor. Since being apprised of those findings, we've been quite successful, we think, in addressing many of the shortcomings identified in the report. That process is certainly still ongoing, and we look forward to exploring some of the issues arising and remaining through the dialogue.

Before I begin an itemized response to the findings of the report, I want to thank the Provincial Auditor once again for providing our ministry with so much useful information. We very much respect the rigorous arm's-length process and function of the Provincial Auditor. At the same time, we all appreciate the spirit of cooperation that has accompanied this exercise. From the beginning, there has been a very constructive approach and partnership in terms of sharing information and working together that exemplifies the intent of the auditing process.

Following on that spirit of cooperation, I want to provide this committee with as much information as possible regarding this ministry's administration of social assistance, the challenges we face in making the changes suggested by the auditor and the steps we're taking towards those changes. As I've already indicated, Mr Chair, that's the reason why I have a delegation with me to ensure that members of the committee receive the kind of complete and detailed answers to their questions.

I'd like to start by taking a moment to describe the context in which the audit was conducted. As you all know, over the past few years Ontario has been experiencing an unprecedented growth in social assistance case loads and in the cost of providing that assistance. From 1989-90 to 1991-92, our total social assistance case load increased by 69% while total provincial expenditures during the same period increased by approximately 97%.

Over a very short period of time, we found ourselves dealing with a system so overburdened that it could not accomplish more than the minimum requirements of processing applications, issuing benefits and attempting to keep up with recipients' changing circumstances.

At the same time as we were looking at ways of making the existing system more efficient, we reaffirmed this government's commitment to reforming the welfare system by advancing efforts that had been initiated by the previous government.

As one of the first clear steps towards reform, we entered into discussions on disentanglement with the municipalities, which are ongoing, about the province assuming full funding of general welfare allowances, provided appropriate tradeoffs in other grants were agreed upon. Combining general welfare and family benefits into a single piece of legislation is obviously, and has been noted for many years, a key factor in welfare reform. It was in this dynamic climate of reform, restraint and recession that the provincial audit was conducted.

When the preliminary report of the auditor was shared with this ministry last spring, we were pleased that it reinforced some things that we had begun looking at and reinforced in great depth the seriousness of the issues. With the additional assistance of the information contained in the report, we designed a plan to address the concerns expressed by the Provincial Auditor and to increase the overall efficiency and effectiveness of the system.

We identified five key priorities on which to focus in order to improve the program's integrity and capacity:

(1) To link interested recipients to training and employment opportunities.

(2) To redirect people who are eligible for other forms of income support to ensure that social assistance in Ontario is a residual last-resort system.

(3) To improve administration.

(4) To prevent fraud.

(5) To help sole-support parents locate and obtain child support.

The plan was based on hiring additional staff who would carry out various initiatives. In May 1992, we received approval to hire 450 additional staff, at an estimated cost of \$18 million.

A total of 200 staff, including front-line income maintenance staff, program review officers and parental support workers were hired by the summer of 1992, with plans to hire the remaining 250 staff by the end of this coming March.

In addition, we embarked on a separate fraud initiative by hiring 30 eligibility review officers to help prevent and identify fraud in the system.

By the time the final report was released in December, we were already beginning to realize significant savings in individual program areas and we continue to see positive results. For example, overpayment recovery from non-recipients is increasing; more cases are being terminated through intervention by eligibility review officers; more sole-support parents are receiving child support due to the efforts of parental support workers—I think the number of additional assignments of support as a result of the intervention is about 5,000 since April; referrals to training and employment services are increasing; and more clients are reporting earnings.

Overall, income maintenance staff are spending more time with clients to focus on eligibility and employment assessments.

I'd like to take some time now to go through each area identified in the auditor's report in order to give you a better idea of what we're doing specifically to address these concerns.

With respect to staffing, the auditor's report recognized the impact that case load growth has had on the effective administration of the program. It detailed deficiencies in service that resulted from workload pressures and identified a need for additional staff.

The report concurred with a 1991 ministry staffing study that determined effective service could be provided with a case load standard of about 275 clients per case worker. It found that in visits to three local offices, in one office where case loads averaged less than 275 per case worker, administration of the program was satisfactory. In the other two, where case loads exceeded that standard, administration was unsatisfactory.

In addition to the auditor's results, our own experience revealed alarming case load situations. In areas of the province where growth in social assistance has been the greatest, many case workers were handling case loads of up to 500 clients. Parenthetically, in my trips around the province, I met at least a dozen case workers I can recall who claimed their case loads were up around 575.

Once we had the approval to hire 450 additional staff, we went ahead and hired 200 additional front-line income maintenance staff to address immediate workload issues,

deploying them to the greatest case load growth offices in the province—Barrie, Hamilton, Kingston, London, North Bay, Ottawa, Sudbury and Toronto. We chose deliberately to effect a strategy where we would try to show the kind of integrity achievements we could achieve by trying to do fewer things better rather than all things less well, ensuring that by deploying in a more limited number of sites, we could show the kinds of results that I think the Provincial Auditor envisioned.

The remaining 250 staff, who will be on the job by the end of the fiscal year, will support activities linked to training and employment opportunities, eligibility review, minimizing overpayments and pursuing other forms of income support to which recipients may be entitled.

With respect to disability benefits, the Provincial Auditor found that the ministry did not ensure that recipients collected disability benefits due to them under the Canada pension plan. The report estimated that had all these recipients been granted CPP, their monthly FBA would have been significantly reduced or eliminated altogether, meaning a savings to the program of \$300 million over the past 10 years.

The audit involved a review of the files of 170 permanently unemployable and disabled recipients. It found that 15% were likely eligible for disability benefits but no application had been sent, 26% contained incomplete information and 59% were either receiving CPP or were clearly ineligible.

The report also pointed out that eligible recipients can recover up to 12 months of retroactive CPP benefits. It estimated that if all of those found likely eligible—that is, 15% of permanently unemployable or disabled recipients—were granted CPP at the time of the audit in January 1992, a \$70-million amount would have been potentially recoverable from the federal government.

The ministry agrees there are savings to be made by helping recipients apply for CPP benefits, and we have undertaken to review the files of all permanently unemployable and disabled recipients who are not currently receiving CPP. To date, we have reviewed 30,000 cases for potential eligibility and have advised over 4,000 clients to apply for CPP. The results are being monitored and allowances adjusted as appropriate. So far, 1,014 of these clients have been granted CPP.

Because of the rules of the Canada pension plan, CPP applicants receiving social assistance are put in a slow stream for processing in terms of priorities. We're working with the Canada pension plan to find ways to process those applicants as quickly as possible.

The ministry will continue to monitor the status of these applications and will review a further 60,000 similar cases by May of this year. In addition, we are improving practices to use the assignment form, which allows for the reimbursement of retroactive payments directly to the Treasurer of Ontario.

Income maintenance front-line staff are now working closely with individuals to better ensure that people who may be eligible pursue CPP and other forms of income support.

The report also mentions that there is no financial incentive for a recipient to apply for a CPP disability benefit because the recipient's family benefits monthly allowance is reduced by an amount equal to the benefit received. I'd like to clarify that we are required by federal law to reduce social assistance allowances by 100% of the CPP allowance.

With respect to the important area of fraud prevention and detection, the auditor's report noted that efforts to prevent and detect fraud were insufficient. The report stated that despite the existence of procedures to follow up on potential fraud cases, the ministry was not aggressive in prosecuting suspects or in obtaining restitution.

As part of a province-wide initiative, the ministry has more than doubled the number of eligibility review officers it employs from 24 to 54. EROs are specialized staff who investigate and gather evidence of ongoing eligibility and overpayment, with the intent of proceeding to criminal prosecution or court where fraud is indicated. In addition, they work closely with local police and educate clients about the consequences of fraud.

1420

Over the next few months, an additional 36 EROs will be hired to concentrate on allegations yet to be investigated. We estimate that eligibility review officers save three times the cost of their wages and benefits. That's a difficult figure. My guess is that it's far greater than that, because once a case is terminated, the cost avoidance continues into some unknown future point where the recipient may have got off the program or have been detected later on. It's an investment that is already paying extraordinary dividends for the taxpayers of Ontario.

We collect manual data from the field to track the number of cases terminated and reduced and the resulting monthly savings. I was very concerned personally to discover, however, that information on the number of referrals to eligibility review officers and the number of prosecutions are not included in these data.

This will be remedied by an automated data system the ministry has developed which will make it possible to better assess the degree of fraud and to focus our efforts on minimizing occurrences. The system will track all case activity related to the eligibility review officers' intervention. The system will also provide us with an analysis of savings versus cost. This database system is currently being tested in Toronto, and province-wide implementation is expected in the very near future.

Before I leave the area of fraud, I'd like to mention a related initiative that has resulted in substantial savings to the program. We have been focusing efforts on increasing the number of clients whose cheques are deposited directly into a financial institution, reducing the chances of lost, stolen or fraudulent cheques and ensuring that postal delays do not slow down the delivery of payments.

Historically, the 30,000 replacement cheques the ministry issues each year have cost taxpayers \$1.5 million annually. To date, about one third of all FBA recipients have opted for direct deposit.

With respect to the issue of overpayment recovery, write-off and prevention, the Provincial Auditor found that efforts to collect overpayments from former recipients directly and through referral to the Ministry of Government Services central collection services were inadequate. The report recognized understaffing as one of the contributing factors.

The ministry has increased its efforts to recover overpayments from former recipients by assigning dedicated staff in each area office to ensure effective review and follow-up on closed cases with overpayments. We are working with central

collection services to improve referral and collection procedures to increase the amount of debt repayment.

In addition, the new staff has minimized the amount of improper overpayments. Along with the efforts of other front-line income maintenance staff and eligibility review officers, 13 new program review officers are working to reduce overpayments and administrative errors by reviewing files for discrepancies and legislative compliance.

The auditor's report also found that overpayment balances were being written off without assessment of the former recipient's ability to pay. Overpayments previously written off were not reinstated for recovery when former recipients began receiving benefits again.

As a result of the auditor's findings, the need for a comprehensive review of overpayment write-off policies and procedures has been identified. This review will be completed and any necessary changes made by the end of March of this year.

All family benefit delivery sites have been advised that overpayment recovery on terminated cases is to be treated as a priority and to ensure that adequate resources are dedicated to overpayment recovery and write-off procedures. In this regard, staff have been assigned specific responsibility for ongoing management of the overpayment recovery process.

With respect to maintenance and child support, the auditor's report expressed concern over the lack of maintenance and child support received by sole-support parents on FBA and concern about the ministry's efforts to guide and assist them in pursuit of such support. There are approximately 146,000 sole-support parents receiving FBA, about half of whom have court orders requiring their spouses to pay support.

The ministry hired an additional 49 parental support workers by the summer of 1992 to help more sole-support parent clients to negotiate and secure support arrangements, to attend court if necessary and to follow up on cases with arrears. We will be hiring an additional 10 PSWs by the end of the fiscal year.

As you know, responsibility for enforcement of support orders lies with the Ministry of the Attorney General, which administers the family support plan. I have discussed this in detail with my colleague the Deputy Attorney General to seek his cooperation in ensuring appropriate service for social assistance clients.

With respect to eligibility verification and updating of client information, the auditor found that the information upon which benefits allowances were based was not always verified either at the time of application or during the annual updates. The report estimated that the ministry has overpaid \$30 million due to a lack of proper verification of information.

The ministry considers visual verification acceptable as long as the verification is noted on file. We believe it's possible that while information is being verified, recording is indeed insufficient. Therefore, we are establishing clear guidelines to reinforce documentation requirements.

When verification cannot be produced at the time of contact, follow-up is required. Workload pressures have contributed to a lack of both follow-up and updating information on a regular basis. With the additional staff and anticipated system

changes, we believe that these concerns can be successfully overcome.

With respect to overall savings, the initiatives I have mentioned are part of a package of measures announced by the minister last May as part of the ministry's strategy to save over \$300 million in the social assistance system. Some of those other initiatives are also creating significant savings. For example, a new unemployment insurance assignment system will produce savings because clients will not be paid twice. These savings will be made in the area of general welfare assistance. The changes we have made to the supports to employment program, STEP, will also provide savings both in general welfare and in the family benefits programs. In addition, the deferral of the 1993 social assistance rate increase to April 1 will also result in savings.

Altogether we expect to save about \$163 million in social assistance expenditures this fiscal year as a result of these measures. With the added impact of slower-than-forecast growth in the number of people receiving social assistance, we are hopeful that we can realize the \$300 million in savings announced by the minister.

Because of the relationship of the almost exponential growth in participation in the system over the past several years and because of these projections, the rate-increase decrease, if I can put it that way, will be the lowest in the history of the system, going from an increase last year over this year of about 22% to 24% projected for next year to about 4%.

As a ministry, we will continue to look for ways of achieving savings that do not have a direct impact on recipients. For example, we're looking very seriously at forms of administrative streamlining that will help us to reduce costs.

In closing, I'd like to restate my ministry's commitment to addressing the concerns raised in the auditor's report and to increasing the efficiency and effectiveness of the family benefits program.

I believe that the audit process has been and continues to be an extremely positive and beneficial one to us, and we are indebted to the Provincial Auditor for the insight and the information that has been communicated to us and for the opportunity that we have been given to improve the service we provide to recipients of the program. Thank you very much, Mr Chair.

The Chair: Thank you, Mr Pascal, for your presentation to the committee this afternoon. We're going to start a 15-minute rotation this afternoon, and we'll start with the government members, then official opposition and the third party. Mr Fletcher.

Mr Fletcher: I have no questions.

The Chair: Mr Hope.

Mr Hope: I'll start off with the—

Mr Callahan: No questions. Just move on.

The Chair: No questions?

Mr Callahan: It looks that way.

Mr Hope: No, I said I'd have some questions.

Mr Callahan: Oh, sorry.

The Chair: Mr Hope, you have 15 minutes.

Mr Hope: Thank you for the presentation, Charles. You talked about the case load increase of 69% and then an estimated increase of 97% in expenditures. The report that was given to us yesterday indicated that the federal contributions have dropped somewhat dramatically from our arrangement of 50-50; it's now less than 50-50. I'm just wondering what your projected estimates would be. I guess the legal agreement would be 50-50, but I know it's less than that, and I'm just wondering about the numbers that are given to us saying that the federal government only contributed \$980 million to a bill of \$2.73 billion.

1430

Dr Pascal: In very macro terms, in the last three years the 5% cap on CAP has resulted in a net loss to the ministry of between \$3 billion and \$4 billion, if that's what you're getting at. I may not have—John?

Mr John Stapleton: Also moving on in percentage terms, last year that amount, the federal portion, went down to about 28% and it's likely to be even lower this year, probably in the 26% to 27% range as opposed to the nominal 50%.

Mr Hope: One of the other areas I wanted to move on to is the CPP. I'm trying to gather more information through the legislative research end of it, dealing with the CPP where they were saying people were eligible. I'm looking at that and asking: Where was the problem? Is it just that they'll be minus the 100% of what they receive in CPP, or is the problem dealing with public information of CPP, that they may be listening to their neighbour and their neighbour says, "Oh, you don't qualify for a disability pension from the federal government," so they don't apply? The applications never even went in or the conversation has never happened with the local area office on collecting the CPP.

Out of the assessments you've been doing with the eligibility aspect—and I notice you've made reference to some numbers in here—what are you finding out? Is it lack of client information? Where does the problem exist? It just can't be the 100% deduction.

Dr Pascal: As I said in my opening remarks, Mr Hope, from the client perspective the consequences are neutral with respect to participating in asking for CPP support because of our legislative requirements to deduct what they would receive from the Canada pension plan, the disability benefit. With respect to the client, there's no reward, so to speak.

I would suggest it's a function of information. It's a function of what has been an overburdened system from the case worker's point of view and the fact that, as the Provincial Auditor noted, five hours per year per client doesn't always afford the opportunity to be as thorough as we need to be at the front line. A combination of all of those factors has made it, as the Provincial Auditor has pointed out, an area where administratively and in terms of information and counselling we could do a lot better. The results of our preliminary case review of 30,000 have begun to indicate that the Provincial Auditor is quite correct with respect to the need for better intervention.

Mr Hope: The other area which was brought to light—you're talking about additional staff and administration. I notice the review that was put forward to the committee yesterday talked about cases. The cases reflected back and

three years ago there were decent economic times. The case load didn't really take off until the 1990s, early 1991, and when I look at the report over three years ago—so you start looking at that time frame. Was the staff ratio 275 or are we just still not solving a problem? All we're doing is lowering it down to 275, but the problem will still exist. I'm wondering if we're not just spending good money after bad money.

Dr Pascal: First of all, as I indicated earlier with respect to the investment of 450 new front-line workers, the majority of whom will be income maintenance officers, we decided to try to put into practice what the base review of 1991 envisioned and that is a lower case load, a better ratio. Rather than spreading the 450 front-line workers right across the province, we decided to focus on eight sites and what we're going through right now has the promise of a very successful experiment.

With respect to what the right ratio is, this is always a bit of a subjective moving target, but we do have enough information to suggest that when income maintenance officers have a lower case load, their ability to engage in opportunity planning, appropriate referrals to job training and to job opportunity, to ensure integrity around alternative sorts of sources of income is heightened, so we wanted to make sure that the new investment of staff took the ratios to a level that we know is better. We know that down is better, but going down just a few across the province we didn't think was a good investment. We wanted to try to take it down to a more reasonable level.

Now I would ask John or Alison to comment on what the kind of pre-1990 ratios might have been prior to the base review suggesting the kind of appropriate number of 275.

Mr Stapleton: Certainly. We were about 350, and the statistics we have now show that we're in the 300 to 325 range.

But rather than just putting it in terms of five hours per year that a worker can spend with a recipient, you have to think that they really are not able to do anything more than either register the client on to the system, on the one hand, or keep up with the changes in their circumstances. This is a statutory obligation within the program.

The non-statutory part of the program is the part of helping recipients get off the system, in the second place, or reducing their dependency on the system through earnings or whatever other training or education is appropriate. It was that part of the job that the worker, the income maintenance officer and the other specialty functions were not able to perform during that particular period when we saw the greatest case load increases. So you're right in the sense that yes, during that period we were just falling behind or barely keeping up.

As the deputy has pointed out to you, we've gone from about a 24% increase in expenditure and in case load increases last year down to a 4% increase. Now is our real opportunity over this next period of time to really make gains in catching up, as opposed to just keeping level with the case load.

Mr Hope: In the review of what the response was of the ministry and to the auditor's report, I know in a lot of this if you listen in our own communities, our own communities are really hammering social assistance recipients. They don't know the difference between GWA and FBA, but they're really hammering sole-support parents, and the comments

about, "They're in the bingo hall," and all this are coming out in our communities.

I know that what we're trying to do is control and administer a process, but I want to take it from the attack on the social assistance recipient to move it to, "What are you doing for the person who is on social services to get them off?" That is a major saving if you can get people off social services and into full employment opportunity.

I'd like to focus my comments dealing with sole-support parents because it seems to be an issue of child care, and I'm wondering what your ministry is doing instead of locking them in the social services, which I think previous administrations have done, kept people on social services, to look at a more proactive solution of doing assessments and getting them off. I also notice in your comments you did not make a comment about the opportunity planning initiatives that are pilot projects throughout. I'm just wondering if I could get your comments on what you are doing, because I think the people who are out there want to listen. What are you doing to get people off social services? I just wanted to address that area.

Interjections.

Mr Sorbara: It was spent in the previous administration.

Mr Callahan: Point of order—point of privilege, actually.

The Chair: Order, please. We have a point of order.

Mr Callahan: Privilege.

The Chair: A point of privilege, Mr Callahan.

Mr Callahan: That comment that's just been made by the member that the former government tried to lock people into social services is pure tripe. You don't know what you're talking about. I suggest the member retract that statement. It's totally untrue.

Mr Hope: What's the point?

Mr Callahan: It's totally untrue. That's the point. You don't put something on the record that's totally untrue.

Mr Hope: Well, I take it that's just a matter of opinion, and I'm entitled to that.

Mr Fletcher: Point of order, Mr Chair.

The Chair: Mr Fletcher.

Mr Callahan: You show me something on the record that demonstrates that, Mr Hope. You show me something on the record that substantiates your comment.

The Chair: Mr Fletcher has the floor.

Mr Fletcher: On the point of order, I believe that we all have time to rebut, to make statements. It shouldn't be thrown back and forth across the floor as it's being thrown back and forth.

1440

The Chair: The Chairman has no control over when members wish to raise their points of order or points of privilege. It's not a point of privilege. Mr Hope has made statements that he wishes to stand by, from what I can see, and other members wish to challenge those statements as to their veracity.

Mr Sorbara: May I speak to the point of order, Mr Chairman?

The Chair: I have no knowledge, as Chair, as to whether they're factual or not factual, and it's not my job to decide.

Mr Sorbara: Point of order.

The Chair: Is this a new point of order?

Mr Sorbara: Yes, it is. It does relate to the comments made by Mr Hope, but it is a new point of order.

I think any fair historian of social planning and social policy in the province of Ontario will make clear and argue forcefully the following: that in the province of Ontario under Progressive Conservative administrations, there were, I think, strong and enduring efforts to move people who were temporarily on social assistance off social assistance and into gainful employment.

I think that same historian would make clear that during the five and a half years of Liberal administration in this province, the same trend continued under a number of programs, including the Transition program and the STEP program put into place by the Honourable John Sweeney and others and a very competent bureaucracy.

I think that when the end of the New Democratic Party administration comes about and that is looked at by the same historian, that historian will say that the New Democratic Party administration took significant steps to move people, particularly this large number of people who have currently ended up on social assistance, from social assistance to gainful employment and independence. I think that's what the historians will say about all three political parties during their term in office.

For Mr Hope to suggest that the policy of the previous—one moment, sir. For Mr Hope to say that the policy of the previous administration, that is, the Liberal administration, was to keep people on social assistance is misrepresentation, is lying to this committee. That remark, although it was made as a flippant political comment, should be retracted because it misrepresents, not only before this committee and to you, sir, as Chairman—and you served in that administration—but to the thousands and thousands of people who are watching these committee proceedings and are hoping that they can get some clear information from the committee about the administration of Community and Social services.

The Chair: Thank you.

Mr Sorbara: Ask him to retract it.

The Chair: It's not a point of order.

Mr Hope: Mr Chair, there was a comment made about a liar. Don't you think it's appropriate that it be retracted?

Mr Callahan: Well, not if you were lying.

The Chair: Order, please. How did we get into this? There's nothing out of order. I'm adding four minutes to Mr Hope's time. Mr Hope, I believe, placed a question. Mr Hope has the floor, and you should direct all your comments to his questions through the Chair to the committee.

Dr Pascal: Mr Chair, I'm pleased to say that the promises and the spirit and the vision expressed by SARC under George Thomson's leadership are very much finding residence in the current activities. Opportunity planning, which was envisioned in the Transitions report, has found experimentation in the form of nine pilot projects which are all designed as a community development activity of cooperation to try to bring different brokers together on behalf of the social assistance recipient in bringing about more opportunities for mean-

ingful self-sufficiency in terms of community participation, job opportunities and opportunities for further training.

We also hope that the Jobs Ontario program, which is picking up steam and now has about 4,000 employers registered and over 1,000 individuals on placement, will be part of the solution. Indeed, the investment in subsidized child care spaces is also part of the important supports to getting all recipients who are capable of participating in mainstream labour market activity to do so.

As noted by previous administrations and as the minister of the day has reinforced, that important legacy, the welfare reform initiatives of this current government, will also emphasize in major and bold ways the importance of a system which needs to be active.

I noted in an OECD article several months ago that the author and researcher was doing an evaluation of welfare systems around the world, and one of the dimensions of evaluation was the issue of active versus passive and, again as noted in Transitions and reinforced by the current government of the day, the need to take Canadian systems, including Ontario's, and ensure that they take leave of the category in which OECD placed them; namely, a fairly passive system is part of our history and certainly not part of the future.

We think that the promises of SARC are well under way, and some time in the near future the current government will add momentum and probably some additional ideas around how to deal with the important intent of Mr Hope's question.

Mr Duignan: Very briefly, I'm basically looking for some information. What type of impact will the recently announced changes to the UI payments have on the FBA system in relation to case load and cost?

Dr Pascal: Mr Chair, through you to Mr Duggan—

Mr Callahan: No, it's Duignan. Be careful now, I got scolded.

Dr Pascal: I'm sorry.

The Chair: There are some sensitivities here today, Mr Pascal.

Dr Pascal: I was here earlier and I did listen. You notice that the pronunciation was different from Mrs Marland's, but I'm sorry. What is the correct pronunciation?

Mr Duignan: It's Duignan. Why don't you just call me Noel?

Mr Jackson: Because it's impolite and unparliamentary. He's the member for Halton North.

Dr Pascal: I apologize to the member for Halton North. With respect to the recent pre-Christmas UI announcements, we make the assumption that the case load part of the question will result in an increase. We also make the assumption that there will be, as a result, additional costs to the provincial system. We're still working on our best guesstimate. I can give you a ballpark figure, but it has to be received as such. It could be in excess of \$50 million to \$70 million additional load. Perhaps Mr Stapleton would add some detailed analysis to my remarks.

Mr Stapleton: In terms of detail and going to your question, in terms of the FBA program, it's not likely that we will see major increases to the family benefits program since it's mostly made up of single parents and persons

with disabilities or other aged and near-aged people. Where we are likely to see the effects of the UI changes is in the general welfare assistance program. We will see them there most immediately, and Mr Pascal of course is correct that this will also result in provincial expenditures because the province participates significantly in the funding of the general welfare assistance program.

We do in fact expect to see most of the case load and case cost effects on the general welfare assistance side, but at this time, even though those estimates are the estimates we have come up with, it's very early and it's difficult to tell because we have to see how the actual administration of those UI changes and exactly how the quit-fired policy will be administered on the ground. I think we will know over the next few months what the actual outcome of that will be.

The Chair: Mr Callahan and then Mr Sorbara.

Mr Callahan: Mr Sorbara has asked if he can ask the first question.

Mr Sorbara: To explain my outburst on a point of order, I want to make it clear that I consider the job of being the Minister of Community and Social Services in any government of Ontario to be the worst job in cabinet. One's constituents are the poor, the hungry, the destitute and the disabled, the least fortunate in society. I think the current minister is doing a reasonable job, and I think her predecessors, particularly John Sweeney, did an outstanding job. I just want to put it on record that I hope we will not try and score political points of the kind Mr Hope was trying to score during his question. By the way, I just tell the deputy I think the job of being Deputy Minister of Community and Social Services is the worst and most awful job in the bureaucracy.

1450

I have one question only. For the purposes of that question, I want the deputy to make three assumptions. The first is that Canadians, as a people, as a nation and as a society, believe fundamentally in income support. As they believe in the Charter of Rights and as they believe in a universal system of medicare, Canadians, as a matter of politics and policy, believe in income support.

The second assumption I want you to make is that currently in Canada we have a plethora or hodgepodge of income support systems, including general welfare assistance, delivered by municipalities and funded by all three levels of government; family benefits, the subject of these hearings; workers' compensation, increasingly an important income support system of general application in many provinces in Canada; Canada pension plan; unemployment insurance; the disability portion of the Canada pension plan; food banks; and the list goes on. My view of it, and I'm asking you to make this assumption, is that it's rather a hodgepodge of systems but that it all speaks to one political or public policy reality, and that is the first assumption, that we believe in income support as a society and as a nation.

The third assumption might be somewhat more difficult. Assume that you, as a deputy familiar with these programs and Canadian society, were given carte blanche to simply wipe the slate clean, eliminate what exists and replace it with something new that does respond comprehensively to Canadians' belief in an income support system.

I hate to put you on the spot, but I would like you to describe, at least in broad terms, what you think that system would look like, including who would deliver it, and, again in broad terms, how it might work.

Dr Pascal: First of all, I must for the record comment on Mr Sorbara's characterization of my position. The only thing that's unfortunate about being deputy minister of MCSS is that people keep coming up to me and telling me what a horrible job it is.

Mr Cordiano: You're enjoying your job.

Dr Pascal: That's right. That's the only major downside.

With respect to the three assumptions, the two assumptions and the challenge, I certainly agree with Mr Sorbara's two assumptions; namely, the need for us to reinforce and respect Canada's tradition and careful consideration of what we owe each other as different from other jurisdictions. I certainly agree that the current systems offer us a non-system when it comes to having a harmonized approach to providing income support.

With respect to the challenge arising from your two assumptions, you're asking me to assume in part the role of a policy committee of cabinet, of which I am a bureaucratic member not an elected member, so I don't wish to envision policy, but I certainly don't mind reinforcing some of the characteristics. I think you've already done so with respect to your assumption statements.

Obviously, any system has to have the character of activity, a proactive approach to all individuals for reattachment to the labour market as the number one characteristic; meaningful needs-based support for people who are in need, as per your first assumption, and the need is so real for so many over the past several years; a system which has as a defining principle the notion of mutual responsibility, clarity with respect to the obligations of the state and clarity with respect to the obligations of the individual and what she or he needs to do to participate in that active system.

I really feel uncomfortable going beyond that preliminary comment, simply because the government right now is in the midst of developing its reform package and for me to do too much more explicit envisioning is to play a role that I'm really not suited to play.

I want to reinforce Mr Sorbara's important assumption around the need for harmony, for cooperation at all levels of government and for delivery to be under one piece of legislation at the provincial level. With respect to issues of delivery we have inconsistency in our system, which has been noted by the Provincial Auditor and others, and regardless of how the disentanglement table turns out, I would say to Mr Sorbara, the responsibility to deliver, which will be part of the reform discussions, is one that, regardless of who delivers, the level of government that pays, I would reinforce, has to be the level of government that assures quality of delivery, standards of consistency. That doesn't mean other levels of government couldn't be contractually part of the delivery system, but there's no doubt in my mind that she or he who pays for the system ought to be the level of jurisdiction that assures the kind of standards of outcome that any system of reform needs to portray.

Mr Callahan: In the vein in which Mr Sorbara put it, not wanting to criticize but to point out and be helpful, why has the ministry not taken steps to dole out or to allocate out the collection of arrears or improper payments—let's leave fraud aside for the moment—to a collection agency? I recognize that they take an extraordinary amount of the money, 50%, but 50% of \$50 million is better than \$50 million being totally lost or written off.

I would say this to you: One of the reasons I see in the auditor's report that was given for having written off these amounts was that you couldn't find the people, there didn't appear to be any process in place to collect it when they came back on the system again, which I find absolutely astounding with our technology today, that you couldn't pick somebody up on a computer. I mean, the Attorney General's department can keep me from getting my licence plates each year if I don't pay my parking tickets, and surely to God if they can do it to keep me from my licence plates they could do it with the sophistication we're supposed to have in terms of dealing with that issue.

Those two issues bother me. Our social service safety net is one that's supported by Canadians. One of the things I guess that makes Canadians special is the fact that they support them. But it is also at risk every time a government allows this kind of stuff to take place where money is just sort of ignored. UI is classic. I have to say here, \$50 million is an awful lot of money. Why did you not use a private collection agency, and, again, why can you not pick up this stuff on the computer when they apply again for social services?

Dr Pascal: Thank you very much, Mr Callahan, for your question. Your concerns are important. They remain timely. They certainly reinforce the perspective of the Provincial Auditor and my own perspective.

With respect to where we're at, I think it's important to note a few things. First of all, the front-door load on the system has created a situation where our income maintenance officers quite frankly I think are heroes in terms of the conditions under which they've had to work over the past several years with loads up to and beyond 500 per case worker. So a referral behaviour, or identification behaviour, a referral behaviour in terms of follow-up has not been what it needs to be.

1500

The technological advancements we need to make we're beginning to make in major strides, and you're quite right, the paper-driven legacy of the average income maintenance office has got to be a part of history. It's extraordinary, and if all it takes is one visit, Mr Rowe would be pleased, as he has with me, to act as a host to see what we have been dealing with in what has been traditionally unusually paper-driven.

Mr Callahan: Can I interrupt you for a second?

Dr Pascal: Yes, please.

Mr Callahan: On your first point, your people don't do the collection, as I see it. The auditor says the collection is done through the central collection service of the Ministry of Government Services, which tells me that it's staff of another ministry that's doing it, so there's no excuse for it not being—

Dr Pascal: Yes, but when I referred to referral behaviour, I was referring to, first of all, taking ownership within my

own backyard that we haven't done well enough with respect to making identification and referrals for collecting overpayments. The object of the referral has indeed been the Ministry of Government Services central collection service, which has, I will say, as a line deputy of another ministry, shown success in collecting overpayments.

The problem, as the Provincial Auditor noted, kind of begins in our backyard, and we don't think privatizing the collection is necessary. What we think needs to be done is dedicated staff totally responsible for—

Mr Callahan: Excuse me, I don't mean to interrupt, but I find that answer, with all due respect, is difficult to swallow. If \$50 million is not being collected by the central collection service of the Ministry of Government Services, God knows how much is not being collected for other ministries. If that's the case, if they can't collect it through government, I don't see anything wrong with putting—a half a loaf is better than no loaf. The taxpayers out there would like to get half a loaf. They don't want to see this kind of money thrown around.

I'd like as an adjunct to this—perhaps the auditor can put this together for us for tomorrow or before we end with this—to tell us just how much money is in collection before the Ministry of Government Services from various ministries. I'd like to know how much is out there referred to them and how much has been collected, because if they're doing a rotten job, then the taxpayers of this province deserve better. That's \$50 million that could have been used for the additional funds you needed. I think it was for service delivery to the people. Let's put the money into service delivery and let's get it out of the question of it being dead-beat collections.

I find it absolutely incredible that any government would continue to maintain—just write off—\$50 million of taxpayers' dollars without at least taking a crack at letting the private sector see if it can collect it, even if it charges us 50% of the cost. A half a loaf is better than none.

I'm sorry, I don't see you telling me anything that you have done that. In fact, you've just said that you see no reason why you should resort to the private sector. I'll tell you something. I, as a member of my riding, am going to certainly make all efforts I can to ensure that this internal government thing where they're the only people who can do it and it's going to cost the taxpayers of this province \$50 million—I'm going to damn well fight to see that there is a different attitude taken.

Dr Pascal: With respect to the \$50 million, we're talking about what has been written off, and I don't want to argue about how much of that would be uncollectable under any system and I don't mean to suggest at all that alternatives shouldn't be explored, but what I am suggesting is that since we began to improve our technology, improve the dedication of staff and accountability at the front line for recovery overpayment and referral, in the months from April 1992 to November, for example, we have recovered \$6.7 million and our year-end projection, just in part of one year, will be over \$8 million.

So we're having some success, and again, what we're trying to do and what I was trying to emphasize, Mr Callahan, was really simply to focus on my own backyard in the ministry with respect to what our obligations are to ensure that

we're doing a better job as per the Provincial Auditor's perspective, and ours as well, in both identifying and referring on cases of overpayment. Perhaps Mr Stapleton would also—

Mr Callahan: Well, can I just ask—it was reported in the auditor's report that less than 3% of the outstanding overpayments have been collected. With a track record like that, if I were a businessman, there's no way I'd ever give this central collection service of the Ministry of Government Services one opportunity to collect my bad debts. That is horrendous. Those people should be fired. That's terrible. Three per cent. I could collect 3% simply by, I suppose, picking up the phone and making extraordinary arrangements with these people to repay it. I mean, 3% is ridiculous. I think the government has to look at this and has to consider outside help. They are not able to do it within the government service, and we can ill afford to throw away this kind of money each year.

I notice that that's just \$50 million of overpayments. "As of March 31, 1992 such overpayments totalled approximately \$140 million, with \$80 million due from active recipients"—and if they are active recipients, is there any measure made to collect some of that back from them while they're receiving it, or is that not possible?—"and \$60 million due from inactive (former) recipients." What's being done to collect that back from them? I believe that what we're doing is—

The Chair: Have you got a question?

Mr Callahan: Okay. I'd like to see that money not necessarily just go into the black hole, the consolidated revenue fund, to look after some WCB building.

The Chair: Mr Callahan, your time has expired.

Mr Callahan: What I'd like to see is more money to kids and to their families.

The Chair: Do you have a quick answer, if it's possible?

Dr Pascal: Yes. Let me answer quickly with respect to a few of the issues raised at the conclusion of Mr Callahan's comments and question.

With respect to recovery from recipients on the system, we're doing extremely well. They're on the system, and unless there are extraordinary circumstances, we assign a 5%-per-month recovery.

With respect to recipients who have been on the system and leave the system, and indeed have been written off and come back on the system, we have not done very well. We have taken steps, since this was well pointed out in the Provincial Auditor's report, to develop a system for, again, identifying recipients who have gone off and come on again and, even if they have been written off, the opportunity for us to seek repayment.

All of this has to be put in the context of the Findlay case before the Supreme Court, which I believe will be heard on January 28, around the issue of the constitutionality of recovery from social assistance recipients. But that's not meant to at all negate the concern you raise.

Interjections.

Mr Callahan: Is the Supreme Court going to tell us we can't recover it?

The Chair: Order, please. Thank you. Mr Jackson.

Mr Jackson: I guess at the outset, as we conduct an inquiry into the auditor's specific concerns, the concerns of

an independent body charged with the responsibility of ensuring that there's some accountability with this, the largest single-panel expenditure of your ministry and one of the largest single-panel expenditures of this provincial government, I'm reminded of the statement that every time you give something to someone who doesn't need it, there's that much less to give to those who truly do. I believe it's in that context that the concern has to be raised that social assistance recipients did not get the kind of increase that this economy and these times require. That was recently announced by your ministry, and I guess there's no more compelling argument for the government to pursue elements of fraud, because it's within that context, that there are recoverables which could then in turn be given to those who truly do need it.

I think on this point all three political parties can agree. Where we are going to disagree is around the issue of how the government diligently pursues the various forms of fraud, which leads me into my first question.

1510

Dr Pascal: I read the auditor's report and I also conducted hearings during estimates regarding this whole issue of fraud. The auditor has advised us that he made no subjective commentary about the levels of fraud in this province with respect to welfare fraud other than to cite for us a six-year-old study and a percentage figure. Yet your government, through its minister, has indicated on several occasions that the auditor concurred that welfare fraud was limited in this province to 2% to 3%. Would you briefly attempt to correct the record that in fact you do not have statistics with respect to the total level of fraud in this province and that the last known basis for any public commentary by the government or the civil service is a six-year-old study of specific fraud, the percentage of payment which is fraud-based?

Dr Pascal: Given the nature of fraud and given the load on this system, as with any system, the intent of Mr Jackson's question is an important one. The short answer is, I can't sit here and tell you what the level of fraud in the system is currently. What I can tell you is that the Provincial Auditor, through his sampling techniques and through his data, saw no reason to depart from the research that was done during the SARC activity. I think what is important to note is that by definition, fraud, some of which in any system, whether it's the tax system at large or that has to do with—

Mr Jackson: Before we get into a recitation of the definition of fraud, you cite a Social Assistance Review Committee substudy which indicated that fraudulently misrepresented information which caused dollars to flow to a social assistance recipient is around 3% to 4%. Is that the level of all forms of fraud, or, to reverse the context, do you have a handle on the total amount of potential recoverables?

I'll give it to you in another way: public funds that are flowing unnecessarily or inappropriately. I'm talking about the total here, whether it's innocent misrepresentation, funds that can be obtained from the federal government, all forms of potential recoverables. In your estimation as the deputy minister responsible for this department, what percentage do you think is the potential recoverables in this province?

Dr Pascal: Mr Jackson, in trying to answer the first question, I wasn't intent upon giving recitation. What I was

intent upon doing was saying quite clearly that, because of the nature of fraud and because of the load on the system, it is impossible for me to sit here and conjecture, as it would be with the federal tax system and fraud on that system, as it would be with other systems that have extraordinary load. What is important for us in the ministry to focus on is what we are doing in a committed and dedicated way to—

Mr Jackson: I have your report on that, Dr Pascal. What I asked you was, do you have current statistics, do you keep statistics? You said no, you don't. I asked you if you had a handle on the full extent of the total recoverables. I'm still waiting for your answer. Do you not have a handle on that? We got a figure from the auditor yesterday. I'm just wondering if, since previously you indicated that through the measuring tool of the auditor he had confirmed a certain percentile and I now have a new percentile to share with you, you're aware of it.

I'll ask you the question again: Are you aware of what percentile of the total potential recoverables from FBA is available to you and your government? Those are the sum total, as a percentage, of public funds that are flowing unnecessarily or inappropriately to FBA recipients. Do you have an idea of how extensive that is?

Dr Pascal: I have no idea with respect to what you may have been told yesterday by individuals who have tabled some new assumptions and some new information. What I can tell you is that the fraud detection and case information that we're gathering and we think making some significant strides with are now finding their way into a central data collection and analysis, and for me to conjecture with respect to fraud yet detected and overpayments yet detected and what percentage that forms in terms of some predictive validity is conjecture that I'm—

Mr Jackson: There are various investigative conclusions arrived at by the auditor. Some were funds that were sent to FBA recipients who should have been on CPP; there are people who defrauded the system and were discovered and not recovered; there is fraud that is not discovered and therefore not reported, therefore is not known specifically; there are the single-parent, mother-led families where there's the non-payment of support when, if they rush to the Attorney General's office, they can get the support order reinforced, a wage garnishment.

I am simply saying to you that the auditor—maybe it's because they're auditors—was able to very clearly delineate in the auditor's report each of these categories of recoverables. It's an accounting term, and I'm sure you're not having difficulty with it; public funds that are flowing unnecessarily or inappropriately. They are recoverable. The auditor has been able to share with this committee that they represent a quantum of potential moneys. You have chosen to focus in terms of your action plan. I'm not asking you about that at the moment.

I'm asking, since you don't keep statistics—we will get into when you're going to start keeping statistics—if you've got a handle on each of these categories which the auditor examined and reported to the public and to this committee. They've shared with us their best estimate of what that number is. I'm just asking if you've got a handle on it or if you're

loading this into your computer to analyse but haven't linked it all together.

Dr Pascal: I now understand the nature of the question.

Mr Jackson: Wonderful.

Dr Pascal: I very much appreciate your persistence. You're looking for an aggregate percentage based on all the individual—

Mr Jackson: That's a big word. What does that mean?

Dr Pascal: A collection; bringing them all together in one single percentage.

Mr Jackson: That's exactly what I'm looking for, Dr Pascal.

Dr Pascal: I appreciate, again, your persistence. The short answer is I don't have that statistic, but—

The Chair: Can you obtain the information?

Dr Pascal: Sure.

Mr Jackson: You can ask the same question of the auditor that I did yesterday.

Mr Stapleton: One thing I think one has to immediately do is to break the assumptions first from fraud figures, which is an unknown, from the figures of the recoverables through the family benefits program. Those recoverables would go from various resources that we would see as possibly being available, such as child support, spousal support, that sort of thing, to hard income sources like Canada pension plan, unemployment insurance and that sort of thing.

On the one hand, in the case of the fraud statistics—I'm very familiar with that report, going back to 1987, the Peat Marwick study that was done for SARC. It pointed out around 2.5% to 3.5%. That particular report was based on the spouse in the house rule, which was extant at that time, as still being in place. If that was taken out, in fact the amount of fraud that would have been predicted by that report or would have been in conclusion by default would be probably somewhere more in the range of 1.5% to 2% of fraud in the whole program. The people who worked for Peat Marwick at that time—

Mr Jackson: Mr Stapleton, I'm sorry. I'm familiar with the study. I'm really trying to move to what Mr Pascal called the aggregate of it all, and you're focusing back on fraud. I'm trying to get our discussion into the whole issue of the recoverables. I think the public's been done a disservice, because all they're focused on is fraud. We heard Mr Hope say: "These poor social assistance recipients. Everybody thinks they're out frauding the system." What we're here to try and help is to iron out what clearly the auditor has found is a mess within the Ministry of Community and Social Services, FBA administration, and we as an all-party system are trying to get some hard answers to what specifically you're doing about it.

If I may, Mr Pascal—I'm sorry. Mr Iannuzziello, you wished to say something.

Mr Andre Iannuzziello: I was just going to add to what Mr Stapleton was saying. I think it does tie in with the total recoverable amount, because if you're dealing with a major fraud initiative within the ministry and you're hiring a number of eligibility review officers who are going out doing investigations, inevitably they will be terminating cases, which in

fact is what has happened over the past few months. So we would expect that the amount of collectible overpayment would increase, which would be higher than what was initially tabled with the Provincial Auditor last spring, and we do know what that amount is.

1520

Mr Jackson: Then why don't you keep me out of suspense and tell me what that figure might be.

Mr Iannuzziello: With the inactive cases, people who have been suspended, the total recoverable overpayment, which includes again the cases that have been investigated—and they were fraud—plus any other cases that have been terminated for other reasons, very legitimate reasons, the total amount is \$72 million.

Mr Jackson: Is the \$72 million additional that you might—

Mr Iannuzziello: No, that's the total amount that's collectible from inactive cases that have been terminated.

Mr Jackson: Okay. If I can go back to Dr Pascal, when the information was shared with your ministry prior to the public's receiving the auditor's report, and that's customary, I found it interesting that your number one initiative was to pursue the Canada pension plan option. In other words, to prioritize your actions, that seemed to be the one that kicked in first. It seems strange, and only for purposes of my comment, that we spent more taxpayer dollars to hire civil servants to see if they could get the money from another pocket of government, which is another pocket of the taxpayer. I understand the position that it puts the Ontario government in but frankly I think the spirit of the auditor's report was that those people who were receiving—this is not an eligibility question; it is that the wrong arm of government was paying them.

What I think the public is most outraged at is the number of people who are defrauding the system. That seems to be the area that isn't as strong a priority or is easier for you to tackle in the front end of this problem.

Dr Pascal: I don't want to disagree with Mr Jackson's characterization of the CPP initiative as the number one, overriding priority, because in fact it's an important initiative. But as Mr Jackson has correctly pointed out, there are other areas of integrity diminution in the program which really require a frontal attack. He mentioned fraud identification, action and the speed with which we hired and more than doubled the number of eligibility review officers.

The short-term yield as a result of their efforts indicates that we got on that particular issue as quickly as we did any other. I couldn't agree more that we're trying at one level to ensure that our program is a residual program, therefore we want to look at other payers first in terms of the family support and CPP. But by the same token, you're quite correct. We want to ensure overpayment recovery and fraud identification and action around recovery and prosecution where necessary.

I spent several hours just before Christmas with our eligibility review team in the Toronto area office and listened to descriptions of their activity around cases of fraud and I'm pleased to say that the activity is of high quality and high yield in terms of results for the taxpayers in Ontario.

Mr Jackson: Dr Pascal, my basis on which—

The Acting Chair (Mr Noel Duignan): This round of questioning is now over so we'll move into a second round of questioning again and 20 minutes each side. We'll begin again on the government side.

Mr Pat Hayes (Essex-Kent): Thank you, Dr Pascal. We're talking about the fraud quite a bit here today. What I want to know is, how will the direct deposit really make a difference? Also, I would like you to be specific on what steps the ministry has taken in this regard to encourage people to get into direct deposit to eliminate writing extra cheques, for example. If you could elaborate, I'd certainly appreciate it.

Dr Pascal: As we've pointed out, it's a very important question and our activity in this area is important. The number of duplicate cheques that are written and duplicate cheques that are cashed, intentionally and otherwise, has been a major problem. I'm pleased to say that one third of our clients are now on direct deposit and the number is increasing and we hope to move our efforts in terms of counselling. Again, with a better staff ratio, we're able to provide the kind of counselling necessary. We hope our financial institutions will continue to be cooperative in terms of our clients and their services. We've been averaging about 5,000 clients per month going on direct deposit and probably we'll be up to 20,000 or 30,000 per month in the near future.

I must also say, Mr Chair, through you to Mr Hayes, that we're also considering making direct deposit mandatory eventually. If we did go to that kind of approach, if the government of the day wished to implement a mandatory direct deposit, of course we would have guidelines to ensure that there is flexibility for clients for whom direct deposit would create difficulties. But we have every reason to believe that voluntary participation is in the right direction. Given the financial consequences to be gained by direct deposit, we think this is something we need to take extremely seriously, as we began to do a while back.

With respect to the service to the client, direct deposit has a concomitant understanding with the postal service that through a system that's called the postal walk, a pre-sorting technique, the mailing of cheques in the interim is something that's—until all participants in the system are on direct deposit, they are getting their mailed cheques in a timely way. But with respect to direct deposit, we think in terms of preventing overpayment and preventing fraud, it's an initiative that's bearing fruit quite nicely.

Mr Iannuzziello: What's interesting is that last April we had approximately 80,000 clients on direct deposit. Once we got to new staff and really started marketing the program in our offices, we found that the numbers had increased to 109,000 as of last month. So there have been pretty dramatic changes over the past few months.

Mr Hayes: Sounds very good. If I may, Mr Chair, on the audit report: They pointed out that it is possible to recover benefits retroactively under the Canada pension plan rules, and in May 1992, of course, the minister announced plans to identify income from other sources and to assist in recovering these funds. Could any one of the witnesses please comment on the progress to date as to how we are really addressing that problem dealing with the CPP?

Mr Stapleton: What we have done is to undertake two what we call blitzes. The first one looked at 30,000 clients approximately who are on our program and either listed as permanently unemployable or disabled persons. One of our historic problems has been having the amount of previous employment history that we require on their file. In fact, because people do not need that sort of information on application in order to be qualified for social assistance—it's done on the medical basis of their disability—that had been one of the impediments in the past and part of the problem in collecting that money.

We made significant inroads in that first blitz, although not to the extent that we would have liked to see. But what we have done in each case is to try to get the application in as fast as possible, because where that particular postal date exists going into the Canada pension program, then that's going to have a bearing on how much money that client gets back.

What we've also undertaken is a second blitz after Bill C-57 was passed, which actually provides a larger window of opportunity for eligible CPP clients. That's a federal bill and we had to wait until its royal assent. That's why we then undertook the second wave of activity in order to secure more CPP eligibility for the clients on the program.

1530

But that significant rule change, which is part of what you're alluding to, allows us to be able to get a larger period of eligibility. Some clients who are on assistance would in fact go through their whole period of eligibility and then find that when they applied for CPP, even though they would have been otherwise eligible with respect to their work history, they weren't in fact eligible for the program because they had passed their eligibility period.

Certainly, with this new bill in place, it'll make it much easier for us in terms of program planning in order to secure CPP eligibility. But again, to recap, the whole idea behind it is to try to get that postmark in at the time so that we're able to secure the most amount of recovery to the program.

Mr Fletcher: Thank you for being here today. How long is it going to take for us to clean up the mess that the Liberals gave us? I wonder about that. Let me just get your report. On page 29: "With the added impact of slower-than-forecast growth in the number of people receiving social assistance, we are hopeful we can realize the \$300 million in savings announced by the minister." That is in part with the initiatives that are being taken.

What do you mean by "slower-than-forecast growth"? What is it? Are we forecasting fewer people on social assistance? Where do you get the figures? What is the rationale?

Mr Stapleton: If I'm referring to the correct figures, over the past few years, we've found very high growth in both the family benefits and general welfare programs in the order—

Mr Fletcher: I have trouble hearing you.

Mr Stapleton: If I've understood the member's question correctly, the rate of growth in the program, both family benefits and general welfare assistance, over the past few years has been very high growth, certainly double-digit, in the neighbourhood of 20% to 40%. We've found in the last year that our rate of growth in the program, in terms of both those expenditures and case load, has significantly slowed.

Mr Fletcher: So with the initiatives and the slower-than-forecast growth, the \$300-million savings to Comsoc is achieved?

Mr Stapleton: Yes, you have to put both of them together to realize that saving. In many instances, it's almost impossible for us to calibrate the exact components in terms of how much of the expenditures and the savings is attributable back to the initiatives that we've taken and how much of it is attributable to other macroeconomic factors in the economy as a whole.

Mr Fletcher: What effect will federal policies, such as the cap on CAP, have? What effect did that have as far as expenditures?

Dr Pascal: It doesn't have an effect on that particular initiative. It doesn't have an effect on case load, but it has an effect on the provincial ability to pay for the system. With respect to the UI decisions to which we referred to earlier, that will have an impact on case load.

Mr Hope: Mr Pascal, around the issue of the training aspect, I agree with you about appropriately training people before taking the jobs on so they do them adequately. With your description of job training, are you doing previous job training that has caused us this problem or do we have new initiatives of training our staff?

I want to ask a question around training because if I talk about the report, the report reflects on years ago. I'm saying we're supposed to embark and we're spending money on new staff, we're spending money on new programs and administration to try to get the fraud issue and to try to get people in other areas. Are we doing our staff training differently in order to provide that mechanism or are we using old standards that have created this problem?

Dr Pascal: Let me just be positive about what we are doing right now. I'll ask Mr Iannuzziello to comment on our approaches to training. We are ensuring that the training is timely and relevant to the initiatives we have just undertaken. I'm not here for kudos, but I am here to catch people in my own ministry doing things right. To be able to bring on stream 200 new employees by when we received the money in May and to have them trained and in the workforce yielding the kind of results to which I alluded earlier within weeks not months is a testament to the quality of training and to the new approaches to training we're taking. But Andre perhaps would want to expand and provide a little more detail.

Mr Iannuzziello: That's it, Charles. The challenge over the past summer and the challenge at the moment is, how do we train staff and bring them on board quickly and ensure that they are effective in meeting the financial targets that have been established? There is a comprehensive training package, training that each staff member goes through in each of the area offices across the province. In addition to that, we are updating all our various manuals—for example, the manuals we have for the eligibility review officers, for parental support workers—ensuring that they're updated. That is incorporated into the training program. How you coordinate all those activities in a relatively short time frame so that our objectives can be met is the challenge.

Mr Hope: That's why I'm asking about staff, because I'm looking at a number of areas that are really of concern to

the general public. I listen to my own constituency office. I receive calls that people think people are defrauding the system. It's a general perception. When taxes get higher and people get frustrated, they look for some other avenue.

When I look at the defrauding aspect, what went through there, I disagree with Mr Jackson where he makes a comment, "It doesn't matter which pocket it comes from, whether it comes from the federal or provincial pocket; it comes still from the taxpayer." Let's put responsibility where responsibility is for government administration. I started adding. Say, for instance, they started contributing their 50% contribution; we correct the problem in CPP. We look at fixing a problem and it estimates anywhere between \$70 million to \$100 million per year. They were saying that equals \$2.73 billion. I look at all the wrongdoings or improper administration by previous governments provincially. We could reduce the deficit just by controlling and getting our appropriate funds, probably reducing it by about \$3 billion—if not, a little bit less, \$2.5 billion.

But that's why I was wondering about the staff training, because it's important for us to adapt to the changing times we face. When we're talking about staff, I want to talk about these review officers, because I've been hearing it come out of the community as welfare cops. I'm a little disappointed because I think you have good and you have bad with that. But I'm wondering about the people who are doing the investigation of a potential complaint, because as I read here, there were four complaints given. Are we just going to just receive a complaint, somebody calling anonymously? How are we going to act with the complaint mechanism, with the training you're providing for new staff?

Dr Pascal: Let me begin. Then I'll ask Ms Fraser to continue. First of all, the eligibility review officer role is one that is being played out, to the best of my knowledge, with the best of intent in terms of ensuring the integrity of the system for the overwhelming number of clients who need and deserve benefits. In terms of the population at large, there is not a more concerned constituency in terms of welfare fraud than the welfare recipient herself or himself about the need for that system to have the kind of integrity the people of Ontario want and deserve.

The eligibility officers with whom I have met go about their jobs with the intent of ensuring that irregularities are followed up on, whether it's something that comes from a case review, a referral from an income maintenance officer or a lead from outside the ministry from the public at large. Perhaps Alison and Andre would in turn describe a little bit about the process.

1540

Ms Alison Fraser: In terms of the proactivity, if you will, of the eligibility review function, we're certainly encouraging our staff to be proactive. So not only would they respond to the kinds of complaints the deputy has mentioned, but they would also look at cases which may be brought to their attention by the income maintenance officers themselves where something seems to be amiss.

It can sometimes be the kind of thing one could identify through some computer analysis. For instance, the recipient may be showing extremely high shelter costs and yet a fairly low family benefits allowance and no other income. That

causes one to ask a question—not to reach a conclusion, but to ask a question. So we're certainly assisting those officers to be proactive as well as reactive.

If I may touch for a moment on the issue of training, to which you were referring earlier, Mr Hope, we have not only, as my colleague Mr Iannuzziello has mentioned, the training packages for these specific functions in terms of eligibility review function; we've also completely revised the program support material, the manual to which they refer as part of their daily activity, their reference book. That is available to them and was made available to them just before Christmas. That's another activity we've undertaken within the last year to ensure they have the tools they need to do the job.

Dr Pascal: And we've instituted again a provincial information-sharing process so that the patterns that show up in local offices—among and between the eligibility review officers in a local office—of identification and case studies that are pursued are shared, so that the ongoing professional development that takes place among and between 15 EROs in Toronto is shared with their peers around the province and vice versa. That's again something that was lacking and is part of the need for centralized monitoring of how well this particular activity is going.

The Acting Chair: Mr O'Connor, time for a quick question. You have about two minutes.

Mr O'Connor: Two minutes. It'll be a very quick question. I guess I'll just be able to touch on it and maybe over the course of the week we'll deal a little bit more in depth with some of it.

Coming into this recession, we've been able to see that the numbers collecting assistance just seem to climb steadily by the month. I know in parts of the region of York that I represent, we've seen the numbers climb dramatically and put an awful strain on the workload for the employees trying to administer the program and what not.

I was just wondering if perhaps you could comment on whether you felt some of the misappropriated payments to some of these people could be the fact that with that added case load, maybe the social workers haven't had an opportunity to spend enough time with the clients. It amazes me, hearing from constituents, especially during the recession, that they feel fraud is much higher than the 3%, 3.5%. But the time spent with individuals—is that part of the problem?

Dr Pascal: As the Provincial Auditor and the ministry both have noted—and Mr Stapleton referred to it earlier—with the almost exponential increase on the system, the most important legislative imperative of the system is to ensure that in an open entitlement program, those in need, legally in need and deserving of that, are served. Everything else takes a back seat, so we've had up until recently, in the eight offices where we've made this short-term investment, people who are supposed to be playing the role of an eligibility review officer, and other peers in the system have all gone to the front door to ensure that the crowd at the front door was well served during this extraordinary time of economic upheaval.

As a result of that, the amount of time case workers have had to provide counselling; front-door screening in terms of ensuring the system is a residual system, that the system we're talking about today is the last payor; fraud

identification and detection and all the activities that are part of the kind of proactive labour-market-oriented system that everybody envisions and the kind of counselling supports that are required, just has not been as fulsome and as effective as it needs to be. Everybody knows that. It simply requires a visit to an income maintenance office, as I am wont to do from time to time, to talk to income maintenance officers and to listen to the story as they tell it.

We've seen some extraordinary success in a very short time in terms of the kind of reinvestment that we're trying to make in terms of changing the ratio and changing the mix of the different roles including parental support workers, program review officers and eligibility review officers. Your point is very important and well noted by the Provincial Auditor.

The Acting Chair: Mr Callahan for 20 minutes.

Mr Callahan: I'd like to start off by saying that I wouldn't want anyone to presume from the things I said earlier that I want to play the role of the Grinch and take money from these people. My major concern, and I think it should be the concern of all governments, is twofold. First of all, it is to ensure that the integrity of the system is such that you can't have people out there saying, "Do away with it." I can tell you, even the finest-minded people out there are finding things so tough that they're going to be saying that soon, and that's going to augur very badly for those people who truly need the safety net systems we put in place. Every time we allow that system to become loosey-goosey and throw away \$50 million in uncollected benefits and \$70 million on fraud, that system becomes that much weaker and we start to lose the benefits of those social safety nets. So everything I've said and all the comments I've made with reference to the comments the auditor has made is directly related to ensuring that the system which I think all Canadians of whatever political stripe believe is the hallmark of being a Canadian—that we do care about the people who are less fortunate than we are.

Having said that, I still have to say that I have directly asked our research officer to get for us the information as to how many ministries refer collections to the central collection services of the Ministry of Government Services. I want to know how much in total dollars is referred to them and then I want to find out how much they collect, because if they're collecting 3% or 6%, I think they all deserve to be reallocated to another ministry and perhaps we should put this out to private collection agencies to collect money to ensure the integrity of all the things I've just said.

I understand we will have that tomorrow and I'm reserving any questions on that for then, and you may want to do your own homework. I'm giving you fair warning that it's going to be a very deliberate question by myself or one of my colleagues, I'm sure.

The second thing I'd like to know about is this: You say you have to replace 30,000 cheques each year at a cost to taxpayers of \$1.5 million annually. You say that you're going to make it mandatory that there be direct deposit. I know policy is not your bailiwick, it's your minister's to make those policies, but I would certainly think that everybody out there in the great province of Ontario would certainly be in favour of direct deposit if it's going to save us \$1.5 million to inject into the system.

But I want specifically to zero in on asking you, what does it cost a recipient of social assistance to cash his or her cheque at the so-called cheque-cashing places that are open 24 hours a day? I'll tell you why I'm worried about that—twofold: My colleague brought a private member's bill before the House to eliminate that, specifically with reference to social assistance cheques, because it means it's money out of the pocket of those people that they need badly.

Second of all, I'm really concerned, because when I look at the casino mentality—and I'm sorry; I recognize public accounts is non-partisan, but I have to say the casino mentality that seems to prevail at the present time—and hear some of the stories of what's happening out west where the casinos are already in place and down east, that husbands are not getting home or wives are not getting home with that cheque in their hand without cashing it at these 24-hour, "Cash Your Cheque," big light-up things and putting it into the video gambling machines and perhaps into the slots and the blackjack tables.

I guess I want to know, what does it cost the recipient—you must know—to cash that cheque, thereby depriving that recipient of that much money? Can you tell us on an individual basis what it costs?

1550

Dr Pascal: What I have heard, because I don't cash my cheques in those neighbourhood venues—

Mr Jackson: You may be if you get a casino—

Mr Callahan: Too many zeroes.

Dr Pascal: I don't think one would be located in my particular neighbourhood, but it's about 3% to 5% depending on the—

Mr Callahan: What does that work out to in dollars, let's say for the average—

Dr Pascal: It depends on the—

Mr Stapleton: I would say on a \$1,000 cheque, you'd be looking at about \$30 to \$50, I suppose.

Dr Pascal: On a \$1,000 cheque, you would be looking at \$30 to \$50.

Mr Callahan: So \$30 to \$50 is being paid, in essence, indirectly by the province of Ontario out of the moneys that should be feeding kids and feeding the family.

Mr Hope: These are the private entrepreneurs you were talking about earlier.

Dr Pascal: Mr Chairman, if I might, just a bit of an addendum to my response—there are a couple of policy issues at play and one policy issue I don't wish to comment on one side or the other, but the issue of the recipient and what she or he can or can't do with the cheque is a fairly important policy piece. The issue, whether the state should do something that determines how and when they can cash a cheque—I've mentioned, obviously. Earlier that direct deposit is the mandatory consideration, and you've reinforced this is under consideration and I'm not sure what the final decision will be.

I think it's also important that with respect to characterizing the welfare recipient population, I certainly am not going to engage in reinforcing assumptions about them as being any different from the normal population at large with respect to

their habits around gambling, participation in bingo parlours or cashing cheques in, you know, various types of—

Mr Callahan: I wasn't suggesting that at all, but I can tell you that in the House, the arguments given in this regard were that these people—and it may be the case that I don't like to characterize any one group as being in that category totally, but because the banks are so—I was going to use the word "constipated," but that would probably be the wrong word to use—but because they require three pieces of identification to open an account, these people are not able to effectively deal with it that way.

What I'd like to know is, have there been any discussions and have they been successful, with the chartered banks to allow people on social assistance to open an account without the necessity of producing all this identification?

Interjection.

Mr Callahan: Or a residence, that's the other thing.

In the alternative, if that's not going to be the case, then I suggest we move to direct deposit immediately to save \$30 or \$50 to feed the children as opposed to feeding these cheque-cashing outlets. My friend says that's free enterprise. Yes, it is, but I have some very real concerns about whether they're required to deal with people on social assistance. Let them cash the cheques of those off social assistance, and they can operate quite nicely there. If they have to depend upon the money of taxpayers of this province and taking money from the people to whom that money is important, I don't agree with that. In any event, I think I've got an idea of where you're heading and I hope it is mandatory direct deposit.

The federal government has initiated changes to the Unemployment Insurance Act as of April 1, which I think were very ill advised, because I think they've literally turned people into slaves. Employers, as I understand the legislation, could basically fire you or keep you under the threat of being fired and if you didn't continue to work for them the way they wanted to, they could literally cut you off from UI.

I also see that it has the detrimental effect of people perhaps even being laid off. I guess that's the only way you can collect UI under those provisions, if you're laid off. So you literally become—and I thought Lincoln freed the slaves, but I guess he didn't under these UI benefits. What impact is that going to have, number one, on the case load? Number two, is the increase of the 200 workers you have gotten thus far and the 250—or maybe I've got it backwards—who are coming on stream in March going to be enough to cover the impact of what I think is going to be a holocaust in terms of people coming for social assistance?

Dr Pascal: As I said earlier, we think the macro financial impact to the province is going to be about \$50 million to \$70 million. Again, we're still working on trying to refine that base sense of assumptions. With respect to how that breaks down, Mr Callahan, in terms of the participation in our system, perhaps Mr Stapleton can add that.

Mr Stapleton: On the family benefits system, which we're specifically here to discuss today and this week, we see very little impact on the family benefits system. Therefore, as a corollary to that, we would see not that much of an impact in terms of the additional staffing you're mentioning.

The reason for that is the first line in terms of social assistance programs when someone, for example, exhausts his unemployment insurance or is in fact not eligible in the first place, the general welfare assistance program, which is administered by municipalities and first nations. What this means is that somebody who does not have other resources and is not eligible for UI would go to that program first. With regard to the family benefits program, its two largest components are single parents, mostly female, and persons with disabilities, with also some people who are near-aged and aged immigrants who are not eligible for old age security.

Mr Callahan: I'm sorry. I don't want to interrupt, but my time is running. We have 20 minutes, by the way, Mr Chairman, in case you weren't—

The Chair: Your time expires at 4:06, Mr Callahan.

Mr Callahan: At 4:06. All right. I don't want to interrupt you, but surely we're looking at the single parent who is now employed who just can't handle it any more with the job and quits. Surely there are going to be a lot of them. I think this legislation is so ill conceived, this UI—I mean, it's an effort to stamp out a fly with an elephant. It's got to have a major impact and I would hope that you're really looking into the projected figures of what you can anticipate.

Dr Pascal: We're just pointing out that the eventual effect on FBA is that there'll be a time lapse simply because the first impact will be at the municipal level with GWA.

Mr Callahan: But it may not be because the province is talking about, as SARC recommended, the province picking up 100% of the dollars.

Dr Pascal: That's being discussed at the disentanglement table and the possibility of that—

Mr Callahan: You won't do it until well after April 1, I would hope. I shouldn't say that. I'll probably get heck from my regional chairman. I understand, but you're preparing for that, you're looking at that.

Dr Pascal: Very much so.

Mr Callahan: The question of fraud bothers me. I agree that it's unfortunate that everybody seems to think everybody out there on social assistance is committing fraudulent claims. The auditor himself says it's at a maximum of between 2.59% to 3.66%, but it translates into a lot of—

Mr Jackson: On a point of order, Mr Chair: The auditor confirmed that there was a study done but that his audit limited him from being able to confirm any other figure. That's a world of difference from the auditor saying that fraud in Ontario is limited to 3% or 4%. I specifically asked the auditor that question yesterday. I've put it on the record and I just want to make sure that's clear on the record. We do not know the extent of the fraud in this province. That is the sole point. I'm sorry, Mr Callahan. I'm being careful with the semantics, but the whole purpose of this week's meetings is to get a handle on this issue.

Mr Callahan: That's right.

Mr Jackson: I don't wish to impute something that the auditor clearly was careful not to say in his report.

Mr Callahan: I guess the best we've got and I appreciate your comment, is the information that was given to the

SARC, 2.59% to 3.66%. But quite apart from that, that translates, if you apply it to the percentages of family benefits payments of \$2.73 billion, that's a loss of between \$70 to \$100 million, which would go a long way towards covering the cost of perhaps the UI effects.

1600

But I'm looking at the specific case that the auditor referred to, a case where a sole-support parent lived with a common-law spouse for over five years. The recipient was charged and convicted of fraud. In 1987 the court ordered restitution of \$26,000, and then it says: "The common-law spouse also signed a promissory note to reimburse the ministry. Nothing has been collected to date and the ministry has not enforced the writ." Now I have to assume that if they were convicted of fraud and the court made her an order of restitution, there must have been a probation order, and I can't believe that there weren't steps taken to enforce that probation order.

As tragic as it may seem, if people are going to defraud the system, I think they have to be dealt with very firmly. It's a position of trust. This analogy may be inappropriate, but it's kind of like the approach that people take in the prison system. If somebody screws up on parole, they'd find that very difficult to handle because it makes it that much more difficult for those people to get out on parole.

Similarly, when fraud is established and found—and it's got to be beyond a reasonable doubt, so it's got to be pretty blatant—if there isn't a hard-nosed approach taken to it, all you're doing is encouraging fraud and you're weakening the system that's there for those good people who require it, the people who can't help themselves because of the economic circumstances.

I would certainly urge—I'm not going to ask for a comment—the ministry to look at that very seriously and that that approach be taken, because the very integrity of the system, for those people we mean it to be available for, is jeopardized.

Finally, I guess because I'm sure my time is running down, is the issue of—I had another point here and I can't put my finger on it at the moment, but bear with me. Here it is. The Transitions report, which was the present government's report, talked about unifying the systems. Now I find it incredible that the Attorney General's department enforces support payments for children, and I might say, although I don't want to be overly critical, certainly not very successfully. This, of course, is a very important component of what you people have to pay out. It's also important to those kids who are not being fed as a result of support payments not being made.

But why is there not an integration? Surely we've had computers around for a long time, and although I know nothing about them personally, surely we should have had an integrated computer system that would have allowed not just for the collection of parking fines and speeding tickets, but it should have been there for the important things, the support payments of children, the payout of social benefits. Why can they not be intertwined so that you get a cohesive record of what's going on so that you can ensure that people are being paid what they deserve but not getting more than they deserve?

Mr Stapleton: It can be and it will be. We have been—

Mr Callahan: When will that be?

Mr Stapleton: I'm expecting by May this year that we'll have on-line access to the family support plan's megasystem. In fact, we've put a detailed work plan into place in late November to do exactly that.

Mr Callahan: Can I be assured that we will get a memo from the Attorney General that that is in fact what is going to take place? Because that concerns me very much. You know, we live in this compartment, you live in that compartment, and never the twain shall meet. In the meantime, the system is losing money with all those dangers to the integrity of the system. Think of all that money that would be available to children's aid societies that are suffering, for school boards that are getting minimal amounts, for the deficit which is burgeoning out of control. That, to me, makes a lot of sense, that we spend dollars wisely, that we not just throw them around like they're not important.

I think a lot of those things have to be looked at, and if they're not, we'll go on and five years from now somebody else will be sitting in my place and maybe asking the same questions. I don't think you people want that to happen. I would certainly hope not.

Dr Pascal: We agree entirely, which is why, on many fronts, database matching and harmonizing information is proceeding. We agree that it has indeed been a problem. No doubt about it.

Mr Callahan: It wasn't in collecting speeding fines. For the last 10 years they've been able to suspend somebody's licence when he or she didn't pay their fine, or they couldn't get their licence plates. I find that the priorities seem to be out of whack. Rather than trying to take somebody's driving privileges away, the priorities should be directed towards ensuring that the services that we want to provide are provided with the optimum cheapness or parsimoniousness of the taxpayer's dollar, to ensure that other services can be equally enhanced.

Mr Stapleton: There is no question that we've gone through the usual growing pains of having two entirely different computer systems developed at different points in time, but we have found ways technologically, just over the last few months, that we can link the two systems together. I think you have to keep in mind that our side of the business is to get the award in pay in the first place and to get a full filing package to the people at the Attorney General's ministry, and then they undertake the enforcement of that. So we do have considerable interplay back and forth between the two ministries, and the on-line access will certainly take a quantum leap towards making this efficient.

Mr Callahan: You would also—

The Chair: I'm sorry, Mr Callahan, your time has expired. Mr Jackson, 20 minutes.

Mrs Marland: I think, Mr Chairman, I was going to start.

The Chair: Okay, Mrs Marland, that's fine.

Mrs Marland: Mr Pascal, we've had a lot of discussion evolving around the subject of fraud and fraudulent claims, and we've also had a lot of discussion around the fact that you have hired additional staff. I notice from your statement of the beginning of this afternoon that in one year you will

have hired 450 additional staff. Among those, you particularly make a point of saying that you have “embarked on a separate fraud initiative by hiring 30 eligibility review officers to help prevent and identify fraud in the system.”

What I want to ask you is, why bother? Because, frankly, when I read the auditor’s report, first of all he identifies the problem on a number of pages, but particularly he identifies under “fraud,” obviously, the types: “allegations investigated most commonly include undisclosed earnings, cashing of duplicate cheques, ineligible dependents, undisclosed assets or an unreported spouse.” But the auditor actually gives you, or gives us in his report, a very blatant, terrible example. He says: “The ministry discovered that a recipient and spouse had worked full-time for over three years and had not reported all their income. This alleged fraud cost the ministry \$25,000. Neither a civil nor criminal case was pursued. We were advised by the ministry office responsible that it did not prosecute frauds of this nature.”

So I simply say to you, what’s the point? What’s the point of hiring 30 eligibility review officers if, when you have a case as blatant as this, no criminal case is pursued?

Dr Pascal: The specific case I’ll ask one of my colleagues to respond to, but the answer to the question “Why bother?” is that, as Mr Callahan and others have said, in the context of a system which has had breaches of integrity because of overloading, the priorities require redressing. As you quite correctly have pointed out, there are serious cases where the ministry and front-line staff, in terms of the competing priorities, either through omission or commission, didn’t proceed. Sometimes—again, I’ll yield to one of my colleagues with the specifics of this particular case—it’s a question of perception that recovery is going to be impossible, either from what’s known about the case or because of the competing priorities of a local police station.

1610

I think what’s important now, the short answer to the “Why bother?” is that we’re now averaging about \$100,000 a month in terms of yield in terminations, and \$15,000 to \$20,000 a month in terms of reduction as a result of the investment of the eligibility review officers.

Mrs Marland: I don’t need to know the details of this individual case. The point I’m making is the absurdity of a report that is identified by your ministry through the auditor’s office. There’s another one here, an example of an overpayment of \$38,000 which arose in 1988 because a former recipient was not living as a sole-support parent. These are examples that are in the auditor’s report to this committee. I’m simply saying to you, somewhat facetiously, I suppose, why bother?

Nobody’s more concerned about fraud in any form than I am, certainly in the case of the family benefits assistance where money is needed for legitimate claims and legitimate people in difficulty and people are walking away with these kinds of dollars in their pocket, spent, misused because it was misappropriated in the first place, and it doesn’t even go to trial. Are you saying that the police would not lay charges on your behalf? You mentioned something about individual police—

Dr Pascal: I’m suggesting to Mrs Marland that there are, depending on the specific case—this is why looking at case

by case is important. There are perceptions, subjective or otherwise, that in some cases there has been a “Why bother?” question raised in the minds of a local office simply because of competing priorities, a perception that it wouldn’t lead to anything because of a particular relationship with a police department that may itself, depending on the nature of the fraud, be so encumbered with its own pressures that the likelihood of success—those are value judgements, subjective judgements that you and I would like to see concluded.

You and I would like to see a system whereby, at every opportunity to identify and detect fraud and to act on it, every reasonable case is followed up on in a timely and successful fashion. There are always judgements made and there will always be judgements made in any system about the amount of investment put into a particular case and the potential for return on investment given the particulars, but—

Mrs Marland: Excuse me for interrupting, but your statement about a particular police department needs a little elaboration, I think, on your part. Police forces in this province are taking people to court for stealing the proverbial loaf of bread. I’m using that as an exaggeration. But we have petty crimes going to trial in this province and I would suggest to you that \$25,000 of fraudulent claim or award, whichever it was in which case, and \$38,000 in another, of government money are not things that we can sit back and condone. Are you saying that a particular police department is overloaded and isn’t able to process your charge? Is that what you’re saying?

Dr Pascal: Mrs Marland, I’ll ask Mr Iannuzziello, who’s provided leadership to local officers, to characterize situations in local offices around priority-setting, because I think that’s the important intent of your question. But in short form, yes, I have had eligibility review officers and income maintenance officers and those who supervise them tell me that in the past, historically, decisions are sometimes made, given the load, the priorities on that particular office—

Mrs Marland: Police office?

Dr Pascal: No—the income maintenance office as well as the police priorities of the local detectives, that on occasion a subjective decision, whether it’s the right decision to have made historically or not, to not proceed has been part of the history. You and I both agree entirely that this should be part of history, but it’s important that Andre give a closer-to-the-front-line response to I think a very important question by Mrs Marland.

Mr Iannuzziello: I want to start off by assuring the member that we do take the cases identified in the auditor’s report very, very seriously. We have ensured that there’s been follow-up on each of those cases and action has been taken on each one. In answer to your question—

Mrs Marland: That isn’t what it says in the auditor’s report.

Mr Iannuzziello: No, I appreciate that. This is in follow-up to the auditor’s report in each of those individual cases.

Mr Jackson: A point of clarification.

Mr Iannuzziello: Yes.

Mr Jackson: Are you talking about the cases where you had examined and found a potential case for fraud but failed

to collect, or are you talking about cases that were unknown to you, so how could you report them to the police? You're about to give an explanation and I'd like to know what cases we're dealing with here.

Dr Pascal: I think Andre wants to simply put on the record that the cases to which Mrs Marland is referring, noted in the report by the Provincial Auditor, we have obviously followed up on all, but I think—

Mr Jackson: You still haven't told me which ones they are.

Mr Iannuzziello: The cases the member had referred to—

Mrs Marland: How about the \$25,000 one on page 5 of the auditor's report and the \$38,000 one on page 6 of the auditor's report?

Mr Jackson: That's what I thought Mrs Marland was referring to.

Mrs Marland: I'm referring to both of them and I hope your answer isn't that since it's been in the auditor's report, you're now pursuing it. That's not your answer, is it?

Mr Iannuzziello: No, it isn't. In the one case we are recovering money from the client.

Mrs Marland: Pardon?

Mr Iannuzziello: We are recovering money from the—

Mrs Marland: It says here, "Neither a civil nor a criminal case was pursued."

Dr Pascal: But, Mr Chair, the answer to Mrs Marland's question is, generally yes, we can go through individual cases noted by the Provincial Auditor, but yes, we—

Mrs Marland: It also says—

The Chair: Order, please.

Mrs Marland: —"We were advised by the district office"—

The Chair: Mrs Marland, maybe I could help a little bit. I think the questions are pretty straightforward. Is there any possible way to give straightforward, succinct answers so we can accommodate the members who have a lot of questions? I keep getting notations from members that—

Mr Hope: What about succinct questions?

The Chair: Order, please. The question was very succinct.

Mr Hope: These diatribes—

The Chair: Order, please. I have been getting notes all day long from members who have not had time to get their questions on. We have had a series of questions from Mrs Marland and Mr Jackson which I believe to be very straightforward and succinct. With all due respect to the witnesses before us, there's great consternation from some of the members about the length of the answers and they're not getting answers to the questions they've been asking. I'm politely asking the witnesses to try to give succinct, direct answers to the questions that have been posed.

Mrs Marland: Can I just help with what the auditor is saying here, "We were advised by the ministry office responsible that it did not prosecute frauds of this nature," after just talking about a \$25,000 fraud. So my question is, why are you not prosecuting frauds of this nature?

Mr Stapleton: Let me try it. The simple answer is that it's not our policy not to collect on \$25,000 frauds. Maybe

someone said that in a particular office, but I think in terms of all of our policy manuals, all of our practices and all of our policies, it is the case that we do pursue those.

In looking at the particular cases and trying to match them—and I'm not absolutely sure I have the right cases in looking at them, but in one case, in the \$38,000 case, we were not able to find an address for the person so we're still looking for the person. Once the person is in fact found—the person's not on the case load any more—

Mrs Marland: You must have an address when they received the \$38,000.

Mr Stapleton: Oh, absolutely, absolutely. In a number of cases we—

Mrs Marland: In other words, while they received \$38,000 of the public purse, their eligibility was not confirmed. That's what we're talking about. We're talking about somebody receiving \$38,000 and nobody confirming whether they were eligible or not.

Mr Stapleton: No, no. Their eligibility would be confirmed through, first of all, the original eligibility process on application, and on the signed statutory declarations the person verifies that the information they put on that form is true.

Secondly, each year, and hopefully this was done each year in these cases, they would go through what we call a client information update report where we would verify and continue to verify the information on that file. In the particular—

1620

Mrs Marland: There's one case here that the auditor identified where they had not interviewed the client "for almost five years." They hadn't seen the client for five years. They'd been shelling out the money for five years.

Mr Stapleton: That's absolutely the case. In some cases—

Mrs Marland: No wonder the public is so cynical about the whole system of welfare.

Dr Pascal: Again, I'll try to be to the point. We have agreed entirely with the Provincial Auditor's conclusion that the administration of this program has problems. Mr Stapleton has just reminded us that we have policies in place that have imperfect implementation. Part of the reason, and a large part of that reason, has been noted by the Provincial Auditor, and we agree, and is the load on the system and the load on the staff in local offices.

With respect to your important and direct question with respect to these cases, we have followed up on the cases noted by the Provincial Auditor. We all agree that we can't wait for a provincial audit to determine individual cases, but we're following up on the individual cases noted by the auditor, not just to deal with these cases, as you would want us to do—

Mrs Marland: How about the cases he hasn't found?

Dr Pascal: —but to deal with having the administration of the system tightened up through proper redeployment and training of new staff to ensure that cases like that, for which the Provincial Auditor cases act as proxies, are also identified and followed up on.

Mrs Marland: What about your statement about police departments? I want to hear that answer, please.

Dr Pascal: Let me ask Mr Iannuzziello to comment further. I simply wanted to note that we're not the only system that has had an extraordinary load. Stated positively, I'm pleased to say that the eligibility review officers with whom I've met recently are enjoying good relationships with, in one case, the Metropolitan Toronto area, local police stations where the relationship between the detective and the EROs is extremely important. But detectives have extraordinary loads on them which go beyond the theft of a loaf of bread, and that has traditionally been a problem in some parts of the system provincially—not all relationships, but we have a full appreciation of the load on some local police departments, which has made follow-up in some cases difficult.

The Chair: Mr Jackson, you have until 4:28.

Mr Jackson: Dr Pascal, when you come back tomorrow before this committee, could you set out in memo form in each of the identified areas to which the auditor had alluded those areas which you are now for the first time keeping statistical data on and share with this committee the data you are now collecting? You're familiar with the area, I believe. At least four areas have been identified where the lack of statistics being retained by your ministry was not helpful to the process of accountability. If you could bring that with you tomorrow, it would be appreciated.

If I might ask you, earlier, in your presentation you referenced an \$8-million savings. What was that regarding? I didn't catch it.

Dr Pascal: I think I was referring from overpayment recovery when I made reference to expected recovery by year-end.

Mr Jackson: Which type of overpayment?

Dr Pascal: From non-recipients.

Mr Jackson: Can you please share with me if you are keeping statistics on your costs in excess of program guidelines; in other words, the statistics. You're keeping stats on your total payout, but you're not keeping the stats on that which is an inappropriate payout, in all instances. How is it that your minister can tell the media and the public and this committee, for that matter, that she anticipates a \$300-million savings with the additional employment of review officers?

Mr Stapleton: The way one can do that is that we do know how much the program costs and we do know how much different types of cases cost. What we are unable to do is to be able to speculate with you on an unknown amount, and that is the amount that might be inappropriately paid out, either through fraud or because someone isn't collecting a certain amount of dollars.

Mr Jackson: My limited university statistics tells me that if you have an incomplete basis, how can you come out with a fine number? How do you arrive at \$300 million in savings when you don't know yet how much impact the additional staff will have on the system, because you're just now determining that you were pleasantly surprised at the increased amount of recoverables you were running into as a result of your first examination of the new work by the new employees?

Mr Stapleton: First of all, we'd have to take it one by one, but in the case, for example, of our unemployment insurance

assignment system—and advisedly this is a general welfare assistance example—we know we were paying out a certain amount that duplicated the amount that the Unemployment Insurance Commission paid out. We now know that through the assignment system and the money coming back to our account as opposed to going to the individual client account. That's an amount of money that we can count fairly carefully.

In the case of support payments, we know from the family support plan that in those cases that relate to our account, to the family benefits or to general welfare, they can advise us of the amount of child support that they collect on our behalf and we can identify the amounts that we're reducing particular cheques so those amounts are fairly easy and straightforward to count. What we simply do is extrapolate from that.

We also know the amounts of money through our overpayment recovery system, both for non-recipients and recipients. We can compare the amounts we collected last year and we can identify the amounts we've collected over the last few months and we can see not only the amounts we've actually collected, but we can also extrapolate from that and say that there's a trend from that and say, for example, by the end of March, which is the end of the fiscal year, that we're able to collect a certain amount of money.

It's less clear in other areas. When we say that we've noticed in the past, that it's our experience that an eligibility review officer can generate, in terms of savings, in terms of reduced cheques and through clients who go off the system, a certain amount of money that's three times their value—of course there's always going to be diminishing returns at a certain point, but I think at this stage with the amount we have in the system that in fact we're able to extrapolate those amounts, so we're reasonably clear on those.

Mr Jackson: Perhaps I may leave you with a request for additional information then for tomorrow's meeting. Could you indicate to this committee in your deliberations if you have uncovered any impediments to investigation? Dr Pascal has made reference three times to his interest in, and his considerable time with, field review officers. Can you list for us any identified impediments to investigation and what, if any, changes the government is considering, or your department is considering to implement, to assist investigation officers?

When I hear Ms Marland's case that she brings forward, which is the auditor's case, that they couldn't find an address, that tells me there's an impediment to our ability to investigate somewhere. People can't disappear that well in this province, so if you could perhaps share that in a memo form, it would be the basis for some discussion with the committee during the course of the week.

Dr Pascal: I would be pleased to do so, Mr Chair.

The Acting Chair: Begin another round of questioning, 20 minutes on each side. Unless it's the wish of the committee to do something different, we'll begin again with Mr Hayes.

Mr Hayes: Thank you, Mr Chair.

Mr Callahan: Perhaps I could just interrupt; sorry Mr Hayes. We have about half an hour left. I wonder if it might be 10 minutes for each caucus. That way we would finish right on time assuming the answers are—

The Acting Chair: Mr Callahan, I understand that the committee meets until six if—

Mr Callahan: Oh, fine. I didn't realize. That's fine. I'm easy.

The Acting Chair: If it's the wish of the committee to meet to six, it's fine with the Chair. If it's the wish of the committee to adjourn earlier, it's also fine with the Chair as well, but I will leave that entirely up to the—

Mr Callahan: Well, that's fine. I have no difficulty. I thought we were sitting until five. That's why I suggested—I'm sorry, Mr Hayes, for interrupting you.

The Acting Chair: Maybe we will go a 10-minute round and when 5 o'clock rolls around, then maybe we will see what the wish of the committee is.

Mr Callahan: That's agreeable.

1630

The Acting Chair: Ten minutes for each party, beginning with Mr Hayes.

Mr Hayes: I'll be very brief. Mr Chair, I always believed in a good day's work for a good wage, so I don't mind being here till six o'clock.

Mr Jackson: Why are we MPPs then, Pat?

Mr Hayes: To Dr Pascal or others who want to answer the question, we keep talking about the alleged fraud in the auditor's report. In a lot of these cases, some of them are stated that they started back in 1987 and I don't know how long before, and I know that of course this was certainly highlighted in the auditor's report. Really, what I want to know from the ministry is specifically what has the ministry done since the auditor's report to deal with this particular issue of fraud, overpayment or whatever? We'll stick to the prevention and detection of fraud and just what has been specifically done since the auditor's report.

Dr Pascal: Again, I'll start off and then ask Alison Fraser to continue.

The first thing we did was to increase the number of eligibility review officers by more than doubling their participation and, importantly, not spreading them out over the whole province but putting them where the case loads were the highest.

The comment we made earlier about direct deposit is also part of the piece. The focus on program review officers as well, on the kind of breaches of integrity that were implied by cases referred to earlier and the focus on their activity, is also important to note. I would ask Alison to continue with kind of summarizing very briefly the five or six other initiatives that are all part of the welfare fraud detection and outcomes.

Ms Fraser: I will just to itemize them very quickly, and I'd be pleased to go into any of them if it would be helpful.

We've mentioned the staff a number of times and I won't go into that. We've mentioned a bit the training and program support materials, particularly for those eligibility review officers, making that more available to them in more up-to-date form.

In terms of data collection, the auditor quite accurately pointed out that we didn't have a system for collecting data about the activity of those workers, nor the outcome of that activity. We now have in place a manual data collection. We are trying out an automated system in two locations at the moment and we hope to have that system province-wide by

the end of March. That will permit the kind of rollup of the kind of information that would be very helpful, certainly to the ministry and to others who are interested in this area.

The deputy has mentioned direct deposit. In terms of information-sharing, one of the issues here is being able to either locate individuals or being able to locate other sources of income for those individuals, and we're working on a couple of fronts there. Mr Stapleton's already referred to the computer links with the family support plan. We're looking at other potential linkages in other areas. The unemployment insurance plan is one. We've mentioned, I think, briefly the assignment of benefits to make sure that we get that working. We are on the verge of signing an information-sharing agreement with the unemployment insurance authorities which will help us stay in touch with people who might perhaps be taking advantage of two systems and failing to report it.

We are looking at information-sharing with neighbouring provinces, specifically Quebec, and investigating the possibility of doing some computer matching there to identify anyone who might be taking advantage of the two systems again. We are considering other possibilities along that line, including the possibility of tax information, all the time keeping in mind the requirements of the Freedom of Information and Protection of Privacy Act and the other side of that issue.

I think the other element I'd mention to you is our technology system. We are working on the data system we mentioned earlier. We also know quite well that the mainframe technology that supports delivery of family benefits right now, which is known as CIMS, is a mainframe system that's really based on 10-year-old technology. We know that we need to rebuild that system. We've got to the point now where we have defined some user requirements. We're working with some partners to start building what we call the front end of that system, which is the part that the workers use.

Our intent in that is twofold: One is to make the workers more efficient so they can spend the time with the clients, and the second is to ensure that the automated information is easily accessible to the worker right there at the moment. We're piloting that in two sites as we speak, and it will take this calendar year, I think, to get it moving further, but we are well on that road.

Mr Hayes: There's one issue here that I think people felt was a positive step by the ministry, but we haven't heard too much about it. What I'd like from you is an update on the opportunity planning project, how successful that is and how it's actually working at this time.

Dr Pascal: We've got nine projects approved and running. The projects reflect the kind of variety the minister wanted to see to ensure that we had projects that had different types of community brokers working with social assistance recipients. We're investing the kind of upfront evaluation design that will allow us to really exploit the experience of these nine projects. We're quite hopeful they will give us a tremendous yield in terms of the kinds of permanent vehicles we need to embed into the reform system of the future.

One or more of my colleagues may wish to comment on an individual project by way of example. There are members around the table who live in parts of Ontario where there are projects extant and ongoing. We'd be pleased to provide the

committee with a specific update of all nine projects, because it's an important and exciting endeavour.

Mr Callahan: Maybe that could be done in writing.

Mr Jackson: Mr Chairman, on a point of clarification: Are you referencing the reductions in STEP offset by the opportunity planning, or are you looking at all of that as one package here? I understand that recently there have been some changes in eligibility.

Mr O'Connor: Are we going in rotation?

The Acting Chair: It's a point of clarification.

Mr Jackson: I was discussing it through the Chair. You did recognize me.

The Acting Chair: Yes, on a point of clarification.

Mr Jackson: What did I do wrong, Mr Chairman?

The Acting Chair: Nothing wrong, Mr Jackson.

Mr Jackson: I was still in the middle of my question, Mr Chairman. Did you not want to recognize me?

The Acting Chair: I'm just calling order in the committee. Could Mr Jackson reach his point of clarification quickly, please.

Mr Jackson: I just wondered if that presentation was to include the recent changes in STEP, where I understand there have been some changes in eligibility and total dollars expended. It seems to be part of the concept of assisting people to move towards employment as opposed to staying on social assistance. I just wondered if that could form part of what I think someone recommended be in writing and presented to the committee.

Dr Pascal: We would be pleased to do whatever the committee decides in terms of written information. Just in very general terms, STEP and opportunity planning are related to the general thrust of having a system which rewards people for being in the mainstream labour market and actively participating.

STEP—the recent decisions to which Mr Jackson refers—and the opportunity planning projects are totally separate initiatives but could form a part of—

Mr Jackson: One's an addition and one's a reduction. That's why I wanted to get a better handle on it for the committee.

Mr Callahan: Perhaps we could get that in writing, Mr Chairman. It would be helpful to the committee.

The Acting Chair: Yes. To be fair to everybody, I will add an extra minute and a half on this side over here.

Mr Hope: It seems that the focus of conversation this afternoon is around fraud. I'd like to know, does anybody in any jurisdiction know what the level of fraud is?

Mr Jackson: They do in Quebec.

Mr Hope: They might talk about fraud in social services, but what is fraud? I'd love to live in a perfect world of 0%, where 100% is 100% and we come out with zero. You're getting people with the idea that we're going to live in a perfect world—I only wish we could—to correct the problems indicated in this report, which are years ago. They're not current administrative problems, they're previous administrative problems. Does anybody have any type of numbers on what the fraud level is, in any jurisdiction?

Mr Jackson: On a point of order, Mr Chairman: Mr Hope is leading the deputants. I would ask if Dr Pascal agrees that this is not his current problem, that it's a previous set of bureaucrats' problem and not his. That's what you just said.

Mr Hope: Quit putting words in my mouth. I'm sure the deputants who are here understand what I'm saying. I know you like to twist things.

Mr Jackson: Check Hansard.

Interjections.

The Acting Chair: Order, please. It may not be a point of order, Mr Jackson, but it's certainly a point of information. Please continue.

Dr Pascal: The identification of fraud and action arising from fraud is something I own. I am the deputy minister under whom the program operates, and it is my responsibility to do everything. In a non-defensive way, we are pleased to explore and put on the table problems, both historical and present, to learn and, most importantly, to act, because the people of Ontario expect nothing less.

With respect to the level of fraud, as I said earlier, it is very, very difficult for me to give a precise figure. Even though SARC came out with something that had a precision to it, the research around the issue talked about other jurisdictions' difficulty to establish a level of fraud, as is the case with other systems; I alluded earlier to our own tax system. All we have are sampling techniques which are imperfect. We make extrapolations based on that, but that's based on the results of highly intense efforts to identify specific cases from a subsample and then to extrapolate.

1640

The levels of resources required to answer the question are so enormous that what we're left with is the here and now of ensuring that we put better resources into it, that we take policies that have been in place and implement them and make them a priority, and that we hold individuals accountable for implementing those policies, which we haven't done well enough. And we welcome the important line of questioning.

John Stapleton has certainly been part of efforts to deal with this interjurisdictionally and would like to make a few brief remarks.

Mr Stapleton: As part of the SARC process going back to 1987, it seems that there was one report that was very well known, which was the Peat Marwick report, that did give the estimation of 3%. At the same time, another report was done which was an exhaustive research through various library documents to see what levels of fraud had been predicted in other jurisdictions. We could certainly provide that document to you. Its overall general conclusion was that although various different jurisdictions both in Canada and the United States and throughout the western world had various predictions of what the fraud rate was in their social programs, there were none that really accurately could say with complete certainty what the number was.

Mr Callahan: That's why it's called fraud.

Mr Stapleton: Exactly. There are other jurisdictions that have put more work into it than we have, and certainly others that have put less into it. At the same time, the predictions in

that document generally went from the 2% to 8% to 10% range, usually not higher and usually not lower. So one could, I suppose, take the average of the predictions made in that document and say that it's somewhere in the range that the other document predicted. But it's an imprecise science, to predict an unknown.

The Chair: Thank you. Mr Callahan, you have 10 minutes.

Mr Hayes: In all fairness, they took about four minutes of our time.

Mr Callahan: Who did? I didn't take any.

The Chair: Mr Hayes, I'm being fair to every side, and I did add two minutes to your side.

Mr Callahan: Eminently fair, Mr Chairman.

I'd like to go back to the issue which is in the auditor's report, and I want to read it to you:

"The ministry's collection program relied on voluntary repayment. Legal remedies were not pursued; and

"We found that delinquent accounts were rarely referred to the central collection service of the Ministry of Government Services as required by ministry policy. The central collection service has a better collection record than the ministry. For example, an overpayment of \$38,000 arose in 1988 because a former recipient was not living as a sole-support parent. Computer-generated monthly statements were sent to the recipient until August 1991, when the statements came back undelivered. No further action was taken and nothing has been collected to date. Even though the case has been delinquent for three years, it has not been referred to the central collection service."

Having said that, I take issue with the statement, with all due respect to the auditor, that the central collection service has a better collection record than the ministry, because I've been provided with information—I should tell you first of all what the central collection service is.

It's defined in a document called the Annual Report of the Ministry of Government Services. It helps client ministries collect overdue accounts. "During 1991-92, \$10.9 million was collected and transferred to the consolidated revenue fund through this mandatory program servicing 99 government programs." That sounds pretty good, eh? Well, I have to tell you, the information I've got is that as of today, the total portfolio of MGS collection services is between \$138 million and \$140 million, and you want to know how much they've collected? You want to know? They've collected \$14.292 million. That's about 10%, and that is absolutely astounding.

I have figures here that in 1989-90 their actual collections were \$10 million. I don't know how much was referred to them at that time; I have to presume, if their track record is up to par, it was probably 10% of whatever that amount was. In 1990-91 it was \$8.96 million; they were getting a little slacker during that year; maybe there wasn't as much referred to them. We'll know that tomorrow, we'll get that information tomorrow. In 1991-92 the interim was \$9.6 million, and I've given you the figures for 1992-93.

Having said that, it seems to me that if 99 service programs refer bad debts to them and if you people referred \$70 million to them, you people made up almost half of the outstanding collections—the ones that were referred, and we're told by

the auditor not all of them were referred. That concerns me so much that I'm serving notice of motion on this committee that:

"The auditor, under section 17 of the Audit Act, conduct a special audit of the Ministry of Government Services central collections division with specific reference to the annual budget, number of employees, amount of collections referred to it, specifying the ministries and the amounts referred and the total received for the years 1989 through 1992-93, with the amounts successfully collected and any other relevant facts."

I'm serving notice, Mr Chair, at this time.

That's astounding. As I said before, if you sent this out to the worst collection agency in the world, the most avaricious—I shouldn't call it avaricious—the collection agency that took 50% or 75%, even if they took 75% of those bad debts, we're still ahead of the game. Instead, what do we do? We send it to a branch, an arm of the Ministry of Government Services, which has to have employees, obviously, which is costing us, has to have offices, has to have computers, has to have telephones, the fax machines, the whole bit—and I'd love to know what the cost of that is—and we're collecting 10%. I mean, that is absolutely looney tunes. If anybody in business carried on their business that way, they'd have a deficit like we do and they'd be out of business.

I certainly implore the members of the government that when this comes to a vote for this special audit by the auditor they will support it and not vote en masse with their majority to defeat it. Let me tell you, this is serious stuff.

Interjection.

Mr Callahan: Maybe it'll even show that the Conservatives and the Liberals did the same thing. I don't care who did it. It's got to stop. It's looney tunes. The taxpayers out there can't afford to have that kind of nonsense. So when the motion is dealt with tomorrow, I would trust that the government members, all fair-minded government members would support that motion, because that's the very essence of the public accounts committee. We have an obligation to be the watchdogs of the taxpayer's dollar, particularly in this time of economic downturn when programs are being nickel-and-dimed. I don't say that disparagingly, because the economic climate and the deficit have to have that happen.

But if we can collect some more money here, we can use that money for things like children's aid societies. We might even consider Peel. Peel, which has a very large population, does not receive a fair share of the moneys it should receive. My colleagues, I'm sure, will speak to this at the appropriate time. Those moneys could be made available to the region of Peel, which is the fastest-growing region in the province, and yet we get a minimal amount of—

Mr O'Connor: York is growing faster.

1650

Mr Callahan: Well, all right, but York is in the same boat actually. York doesn't get its fair share either. You're quite right. If these moneys could be collected instead of putting it through this agency—with all due respect to them, they've got a very poor record. I can't see where they do anything perhaps but call them up. If you went out and collected the stuff, you'd surely get more than that. You'd get that much just by falling out of bed in the morning.

I want to hope, and I hope everybody out there watching will watch all of their members on this committee support that motion tomorrow, because if you don't support it, then in fact we might as well disband the public accounts committee because it's not doing the job which it was responsible to do. So I urge you to do that.

One final thing, Mr Chair. I have a letter here, which is something that's always boggled my mind, from a person—he doesn't sign it—who wrote to the then assistant auditor and he was talking about the drug benefits that people get under social assistance. A doctor had given him a prescription which was 15 pills times 10 refills and it was \$9.95 for each refill; that was the dispensing fee, and he was told he could only get one. So for a supply of drugs that would have cost the social assistance plan \$26, instead it cost \$85 and this man or woman, whoever it is—I can't tell—makes a very salient point and says, "So just who is ripping off the welfare system?"

When you have to add those additional costs—I can understand why you wouldn't give seniors overly large amounts of pills but if a person has had them prescribed to him, surely to heaven he has a right to ask for the full amount so that he doesn't pay a dispensing fee times 10. That to me is looney tunes.

When I think back to the large amounts of money that were being spent by government in terms of looking after the prescription drugs for people particularly—if you want to do it privately that's fine, but when you're doing it within a budget of moneys that are shrinking every day, and with the demand going up as we've heard this afternoon, then I think every nickel has to be looked at, every nickel has to be accounted for.

We have to have programs in place that make sense and not have them four or five, 10 and 20 all over this fine province, either here in Toronto or in places outside. This government is not in the business of creating jobs internally. We should be in the position of trying to shrink government so that in fact we're getting the maximum bang for our buck, and the taxpayers expect that of us.

I'm really looking forward to tomorrow, when the vote takes place on this, and I'm sure there are good members over there on the government side who will surely support this application to have a special audit done by the auditor so he can determine just what kind of office they have up there at collection services, how many staff, what kind of budget and what's going on over there that they can only collect 10%.

The Acting Chair: Thank you, Mr Callahan. I understand the auditor has a point of clarification.

Mr Erik Peters: Actually a number of points. First, I would like to thank Mr Callahan for putting us on notice on this. There are two points of clarification that I'd like to put on the table. We made the statement, as you read off yourself, that the central collection service has collected 10%. If you look at our report, we note that the ministry had collected 3%, and that's why we came to the conclusion that its record was indeed better. You have proven our point. I really appreciate that.

Mr Callahan: By 7%.

Mr Peters: The second point is that we will do a file search, because my staff advises me that this office has conducted an audit of the central collection service in the

recent past. We'd be happy to bring that to the meeting so you can take a look at that as to what is happening on that.

Mr Callahan: That would be fine.

Mr Hope: Defeated motion.

Mr Peters: It may or may not be. I just want to advise you of the fact that it is there.

Mr Callahan: Can that be made available tomorrow, Mr Auditor? Do you think maybe tomorrow?

Mr Peters: It was part of one of our annual reports. I don't remember the exact date.

Mr Callahan: Perhaps you can use your best efforts to get that for us tomorrow so that we can see if it needs an updating. I notice I don't have any figures here beyond 1989-90, so that report may have been made prior to that, I don't know. But I can't believe that a public accounts committee of the day would not have gone through the roof when it say that the auditor was reporting that 10% of outstanding debts was being collected ranging in the neighbourhood of \$140 million. That's not loose change.

Mr Jackson: Could I make a request? Could all members of the committee have some of the statistics that Mr Callahan was referring to? I don't know if they were circulated or if he had made a specific request. I'm advised by Mr Callahan that was a special request to the legislative researcher. But if it's possible, I would like to get a copy of that tonight before committee expires in order to read up on it before tomorrow's meeting.

The Acting Chair: Is that possible?

Mr Jackson: Perhaps the clerk can get a copy.

Mr Ray McLellan: I'll speak with Mr Jackson right after the meeting to transfer the information.

Mr Jackson: Get me a copy. You don't have to speak to me.

The Acting Chair: We've got 10 minutes equally divided between Mrs Marland and—

Mr Jackson: Okay, I'll go first this time.

Mr Hope: Excuse me, Mr Chair, after that lengthy speech, I'm sure the ministry would like to maybe make some comments. You talked about 10 minutes.

The Acting Chair: He made a statement, I believe. There wasn't a question.

Mr Hope: Here's an opportunity—

The Acting Chair: Order, please. Mrs Marland, did you want to go first?

Mrs Marland: I think in the age of fairness, since I went first the last time, I will share this with Mr Jackson.

Mr Jackson: I think it's because she took 26 minutes of my 28 minutes, that's why.

My question is to Dr Pascal. On page 6 of your presentation you reference as one of the first clear steps towards reform, "We entered into discussions on disentanglement with municipalities." You'll recall when you were before the estimates committee two and a half months ago that the process of disentanglement had not begun. Could you bring this committee up to date on the specific meetings involving

which municipalities you've entered into discussions on disentanglement with?

Dr Pascal: Mr Chair, the disentanglement process, as Mr Jackson knows, is a central table of negotiations, represented on one side, municipalities and regional jurisdictions, by AMO and on the other by provincial members. It's certainly public domain that phase 1 of those negotiations has at its centre the tradeoff of 100% GWA support by the province in exchange, in a fiscally neutral way, with a series of tradeoffs in the other direction. Those discussions are ongoing. They're meeting later this week and both sides have certainly been publicly hopeful of a resolution to the tradeoff in the very near future.

Mr Jackson: I was really looking for a specific answer, because when I asked the minister if she could point to a specific date when representatives from AMO were meeting with your government, she had indicated as of October 13—and you'll check the Hansard record perhaps—that in fact only interministerial discussions had been entertained at that point with respect to the issues around disentanglement.

Dr Pascal: No, there have been approximately four or five meetings of the central negotiating table, the provincial table, with AMO and provincial officials of the government. There've been many meetings, through you, Mr Chair, to Mr Jackson, of interministerial discussions to inform one side of the table, namely, the provincial government, as I'm sure there have been discussions on the municipal side. But the discussions since we were in a room not too far from here during estimates debates—there've been about four or five central negotiating meetings of the committee and their next one is this Thursday evening.

Mr Jackson: During your presentation you referenced the Social Assistance Review Committee's recommendations, and there were a substantive number. Could you furnish this committee with a current update? I think the last one that was requested was at the estimates time, so I don't think updating it would be too difficult.

Could you table with this committee the status—and the one report which I appreciated the most was the one that indicated whether or not a recommendation has been dropped, whether it's been implemented, whether it has been scheduled for implementation. Treating it in that fashion is extremely helpful.

1700

Following that request, I'll ask you this today and you can ponder it and maybe respond to it over the course of the next few days: To what extent have you been able to measure the impact of no longer requiring home visits for FBA eligibility, and what has been the impact on that with respect to the response from your investigation officers, which was a request I made earlier?

There was the widening access to student welfare which comes in varying forms. It can either be on FBA or on GWA, but there has been improved access, and several of us have received concerns from school boards in particular about the increased access.

Then the third area, and these are just three that I take from the top of my head, but I know there are others in the process of liberalizing social assistance in this province, the

issue of not having to have a residence in order to be eligible for FBA or GWA in this province.

I realize that the auditor's review was with respect to FBA, but this committee's review isn't necessarily limited in scope to FBA. I invite you to prepare something for us, and we'd have a more meaningful discussion at that time.

Dr Pascal: Okay. Mr Chair, we'd certainly be pleased to provide the kind of tracking information to which Mr Jackson referred on Transitions, to provide an update according to the categories you alluded to, and we appreciate the notice, dialogue and those other issues arising.

Mr Jackson: One final question, requesting information that has to do with those communities in Ontario where the processing of GWA and FBA are done in a combined—

Interjection.

Mr Jackson: —yes, the integrated programs. If you could assist us with statistics. I had requested this of our legislative researcher yesterday, and of course if it was a priority for you, we'd get it much quicker.

I'd like to know the communities involved, the kinds of case loads, and if in fact those municipalities are maintaining crossover accountability statistics, in particular cases of fraud, tracking, reporting of non-payment, the processing of recoverables. It strikes me that they're—and this is not by way of an unfair comparison, but it is by way of inviting a comparison of what you could achieve under a model where all the investigations could be done within one department for FBA and GWA.

Since we have inappropriately placed people on both systems in any given jurisdiction, these municipalities, it would strike me, have a better chance of resolving some of that, since they are one and the same, whereas that isn't the case in most of Ontario. So I'd like to have the information, have a window on that, so we can analyse it as a committee and discuss it as well.

I think that concludes the series of questions I had, which I think would be best to share with the deputants, as opposed to pursuing any further questions.

The Acting Chair: Thank you, Mr Jackson. Mrs Marland, you've got three minutes.

Mrs Marland: I have a heavy-duty question which will take more than two minutes, so I will save that one for the next round. However, I do have some short questions, and Dr Pascal, I would like to apologize. Earlier I referred to you as Mr and I like to be correct. I'm sorry I was incorrect and I'm apologizing.

Dr Pascal: I understand you're married to a real doctor. Mr is just fine.

Mrs Marland: No, I'm not married to a real doctor; I'm married to a dentist.

Mr Callahan: It's like pulling teeth to get anything out of her.

Mrs Marland: Anyway, the questions that I have, I'm just going to give them to you and I'm wondering if it's possible to have this information today. Today is Tuesday and we have the pleasure of being together, I think, tomorrow and Thursday. I'm wondering if any or all of this information might be available by Thursday afternoon. It's not information that I

will have further questions on at this time. If Thursday afternoon isn't enough time, you could give me a time frame when I can have it.

I'm wondering, first of all, if you could provide a list of FBA and GWA case loads by municipality, broken down by the size of family, the type of case—for example, single parent; I can give you a copy of these if you like—and the age of the head of each household, for each month beginning January 1990 to the present time. The other one is, would you provide a detailed list or chart of social assistance rates, both FBA and GWA, from 1990 to now? Could you explain in detail how social assistance rates are determined and provide a list of provincial FBA and GWA case loads for each month from 1990 to present? Is this too formidable?

Dr Pascal: Mr Chair, I'm sure we can provide this by Thursday. I'm not sure it'll be this Thursday, but we'll make sure it's available on a Thursday. We will do everything we can. About three quarters of what Mrs Marland has requested is on the shelf and readily available.

Mrs Marland: That's what I thought.

Dr Pascal: There are some parts to it which will require a little bit of work, but we'll do our very best to provide it by this Thursday.

Mrs Marland: All right. I have one final one. In October, during estimates, we asked for the ministry's most recent projection for social assistance costs for this fiscal year. At that time, the ministry indicated in response that projected social assistance costs for 1992-93 were not yet available. Are they available now, and if so, what is the most recent projection? I'll give you a copy of this.

Dr Pascal: The total load for us is projected at \$6.2 billion for this fiscal year.

The Acting Chair: That's for general welfare assistance and—

Dr Pascal: All of it.

The Acting Chair: The committee has asked me to point out when it's after 5 o'clock. We went around again.

Mr Hope: To save some people some work, there is ample information that's already been provided by legislative research in our package. I guess it's the determination as to what legislative research has already done in order for the ministry to provide the information. We have about the benefits and we have the provincial—

Mrs Marland: I think you'll find the questions I've asked are not in that package. Thank you very much, Mr Hope.

The Acting Chair: Thank you for that point of clarification. Is it the wish of the committee to continue until 6 o'clock?

Mr Jackson: I would like to keep talking. I personally didn't take up a lot of time, I thought, this morning on the WCB. As I recall, it was three minutes.

Mrs Marland: I have more questions, Mr Chairman.

The Acting Chair: Is it the wish of the committee to continue till 6?

Mr Jackson: Is there more time? We could probably do a few more minutes.

Mr Hope: Either we go to 6 or we don't, that's the question.

The Acting Chair: I wish to point out that the same witnesses are back here again tomorrow and Thursday morning. I think members of the committee have asked the witnesses to collect quite an amount of information to provide to the committee by tomorrow morning. Maybe the witnesses may need that time to talk to staff and collect that particular amount of information for committee members.

Mr Jackson: If I might, by way of suggestion, as one who sits in the chair from time to time, if there are any other members who have requests for information, it could be helpful to the process. We have some additional requests for information. We have those in writing and we're prepared to share them. We don't benefit from putting them on the public record. There's no sense tabling requests for information on Thursday afternoon when we're finished. We just won't get the information.

The Acting Chair: Is there any further request for information from the witnesses?

Mrs Marland: Yes. When Comsoc was up before the standing committee on estimates, the minister announced her intention to introduce new welfare legislation before the House in 1993. Will this legislation be introduced in the spring or the fall?

Will the disentanglement issues surrounding welfare legislation be sorted out before the legislation is introduced?

What is the minister's response to Time for Action, the most recent report of the advisory group on new social assistance legislation?

The auditor found that only 11 of the ministry's 40 local family benefits assistance offices had a case load at or below the ideal 275 clients per case worker. Do GWA offices meet the ideal of 275 clients per case worker?

The auditor found ministry FBA fraud prevention and detection inadequate. The minister, in response, announced her intention to hire 35 additional eligibility review officers. A new policy and procedures manual has also been drafted—I don't know if we're correct about this. How many GWA eligibility review officers are there and does the ministry plan to draft a new GWA manual as well?

I think that's probably it. The rest of my questions are rather lengthy and refer back to the auditor's report in particular, so I don't know if Dr Pascal would like to answer those questions today or tomorrow morning, but—

The Acting Chair: On a point of clarification, Mrs Marland, are you requesting information on GWA rates or FBA rates? The focus of the auditor's report is on the family benefits.

Mrs Marland: On both. My previous question was on both, in order that there can be some comparisons drawn in relation to the auditor's report to this committee on the FBA. So it is important to have the information we're talking about.

Dr Pascal: Mr Chair, I'd be pleased to answer some of the questions or all of the questions. It's up to you and the committee, obviously.

With respect to the first three questions—well, they're all very straightforward questions. With respect to legislation, I would obviously have to check with an office that I don't normally walk into in terms of legislative traffic, but the intent is

to introduce in this calendar year. If I had to hazard a guess, I would suggest it's more likely to be the fall than earlier.

With respect to the disentanglement process and your question around whether it has to be resolved to proceed drafting the legislation, the answer is unequivocally "maybe." It is quite likely that the legislation can be disentanglement-neutral; it depends on the nature of the final legislation. The government has announced that it is going to act on the advice of every previous review, from Transitions to Time for Action and the PMSSR report, that a single piece of legislation getting rid of the two tiers is important. So the legislation process will yield some results, hopefully, in this calendar year. Disentanglement doesn't necessarily have to be resolved for that to happen.

Finally, with respect to the third question, which I believe was the minister's response to Time for Action, she's made it quite clear, when she tabled it on behalf of Professor Moscovitch and his committee, that she was looking forward to receiving responses to it, which she is. It will be taken into

very serious consideration in terms of the government's welfare reform package, which will be available, hopefully, some time in this calendar year.

With respect to the other questions, I guess, Mr Chair, I would need some guidance. If you'd like us to answer either in written form or verbally very quickly at the outset tomorrow morning, I'd be very pleased to do it in either fashion.

Mrs Marland: I'd be quite happy to have the written form, because I have other questions that I know that you and I can ask and answer verbally on other matters.

The Acting Chair: Okay. The request was for information which for tomorrow, and certainly by Thursday, should be in written form for all committee members.

Are there any further requests for information? Hearing none, the committee then stands adjourned till 10 o'clock tomorrow morning.

The committee adjourned at 1715.

CONTENTS

Tuesday 19 January 1993

Annual report, Provincial Auditor, 1992	P-316
Ministry of Community and Social Services	P-316
Dr Charles E. Pascal, deputy minister	
John Stapleton, acting director, special projects secretariat	
Andre Iannuzziello, project manager, cost containment implementation	
Alison Fraser, acting director, policy development and program design branch	

STANDING COMMITTEE ON PUBLIC ACCOUNTS

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- ***Acting Chair / Président suppléant:** Duignan, Noel (Halton North/-Nord ND)
- ***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
- *Callahan, Robert V. (Brampton South/-Sud L)
- Cousens, W. Donald (Markham PC)
- Frankford, Robert (Scarborough East/-Est ND)
- Haeck, Christel (St Catharines-Brock ND)
- *Hayes, Pat (Essex-Kent ND)
- Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
- *O'Connor, Larry (Durham-York ND)
- *Sorbara, Gregory S. (York Centre L)
- Tilson, David (Dufferin-Peel PC)

*In attendance / présents

Substitutions present / Membres remplaçants présents:

Farnan, Mike (Cambridge ND) for Mr Frankford
Fletcher, Derek (Guelph ND) for Mr Johnson
Hope, Randy R. (Chatham-Kent ND) for Ms Haeck
Jackson, Cameron (Burlington South/-Sud PC) for Mr Tilson
Marland, Margaret (Mississauga South/-Sud PC) for Mr Cousens
Waters, Daniel (Muskoka-Georgian Bay ND) for Mr Frankford
Wood, Len (Cochrane North/-Nord ND) for Mr Hayes and Mr Frankford

Also taking part / Autres participants et participantes:

Peters, Erik, Provincial Auditor

Clerk / Greffière: Deller, Deborah

Staff / Personnel:

McLellan, Ray, research officer, Legislative Research Service
Smith, Cynthia M., director, Legislative Research Service



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sociaux et communautaires

Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Renseignements sur l'index

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday 20 January 1993

The committee met at 1011 in room 151.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1992 MINISTRY OF COMMUNITY AND SOCIAL SERVICES

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. We are continuing with our review with officials from the Ministry of Community and Social Services. I've still got the elevating devices services on my mind. Deputy Minister Charles Pascal and other witnesses have been here since yesterday morning, answering members' questions. I can't recall, at the close of the day yesterday, who finished off the last round, but I've not allowed the government members to start the rotation very often, so this morning, if they wish, the government members can lead off. You have 15 minutes, Mr Duignan.

Mr Noel Duignan (Halton North): On a point—it's not really a point; it's just information. I sat in the chair yesterday evening, and I think we started a rotation yesterday, if I'm not mistaken.

The Chair: Yes.

Mr Duignan: I think Mr Callahan served notice of a motion yesterday evening as well.

The Chair: Were we to deal with that notice of motion first thing this morning?

Mr Robert V. Callahan (Brampton South): I'd like to address it, Mr Chair. Perhaps we'll do that within the 15 minutes of our rotation.

The Chair: I understand we have copies of the motion coming.

Mr Callahan: Okay, that's fine. In the interim, you'll find that the auditor has provided us with the 1990 annual report, in which central collection was referred to. It makes for interesting reading. However, the motion, when you do get it before you—and I'm sure you can remember it from yesterday—was that—

The Chair: Actually, I can read the motion from the log so that we all have an understanding of what happened yesterday.

Mr Cameron Jackson (Burlington South): On a point of order, Mr Chairman: I believe that we're doing new business and are not in a rotation. I hope that's your ruling, because if you're going to limit motions by time allocation in this regard as well—

The Chair: No, I'm not.

Mr Jackson: Then I hope that we are basically dealing with new business here, Mr Callahan's motion.

The Chair: Right.

Mr Jackson: Okay, thank you.

The Chair: You're welcome. Yesterday, Mr Callahan gave notice of motion. It reads as follows:

"That the auditor, under section 17 of the Audit Act, conduct a special audit of the Ministry of Government Services central collections division, with specific reference to the annual budget, number of employees, amount of collections referred to it; specifying the ministries and the amounts referred and the total received for the years 1989 through 1992-93 with the amounts successfully collected and any other relevant facts."

That was Mr Callahan's notice of motion.

Mr Callahan: We did get information from the auditor, for which I thank him, which is on the members' desks. In the 1990 annual report, there was a review done of this Government Services central collection service. However, I suggest to you that although it's interesting reading, I think it demonstrates a definite need for improvement; there has been really none since 1990.

If you look at the handout that we got yesterday from research, there was some \$138 million to \$140 million worth of bad debts handed over to this group. The projected item in the estimates of the Ministry of Government Services was that there would be approximately \$14 million recovered. That's a pretty sad state of affairs in terms of recovery.

Somebody pointed out to me that perhaps in the case of soft services such as social services, you don't expect to recover that much, but I'm sorry, I think what we're doing if we allow this to continue without looking into the matter further is that we're going to have an impact on the security of those safety nets that are important to all Ontarians and all Canadians.

I note the report the Provincial Auditor provided us with, which is the 1990 annual report. I've gone through it very quickly. I don't see any place in there where there is an indication of some of the concerns I have, and I hope the members of this committee would share as to what kind of budget this division of government has—how many employees, how many assets, fax machines, photostat machines, computers and so on.

In other words, the bottom line, what are we paying to have an agency of government collect 10%, and in some cases less than 10%, of the debts that are being referred to it? I suggest if it's an extraordinary amount, perhaps the government should revisit as to whether it's worthwhile having that organization any more.

I draw your attention to the 1990 annual report. Perhaps I'll ask the auditor. It doesn't have a page number, but there's something up at the top. I think it's 25. It's under the item "Collection Procedures," on the sixth page. It says:

"As a result of concerns raised in our 1984 audit on the fund"—it appears as though this group has a long history—"all delinquent accounts were to be handled by the central collection service rather than private collection agencies."

Do I assume from this that prior to central collection service doing this, it was in fact handled by private collection agencies?

Mr Erik Peters: My understanding is that it was. I've not reviewed the 1984 report, but speculating, there were difficulties apparently with the collection agency and the fairness of their reporting back the actual results of their collections.

Mr Callahan: In the 1984 audit on the fund, they seem to refer to that as the reason why they went back to the central collection service. Can you tell us what percentage the private collection agencies were recovering, or do you know?

Mr Peters: I don't have that information with me. I could get that for you.

Mr Callahan: Perhaps you could find that out, because I think that's of some importance to the committee if it's going to vote on this issue.

Mr Peters: All right.

Mr Duignan: A couple of pages back, it talks about that.

Mr Callahan: Forward or backwards?

Mr Duignan: Forward.

It states, "At July 31, 1989, the unit was administering 33,000 accounts totalling \$64.4 million. Of these, \$15.2 million had been referred to four private collection agencies." So it was still referring moneys out to private collection agencies as late as 1989.

Mr Jackson: Mr Chairman, could I seek clarification from you? I'm comfortable with this whole line of questioning, but I'm trying to determine just what we're going to be accomplishing in this morning's session. Might I ask the Chair's indulgence and guidance in this regard.

The Chair: Sure.

Mr Jackson: As I understand it, you were recognizing Mr Callahan's motion. If that is your ruling, that you were accepting it, fine, then we're proceeding on a motion. But I sense we're getting into a round robin discussion into matters that flow from emotion. If on the other hand we're just using our time as it's allocated—Mr Callahan is able to use his time any way he sees fit, but I'm trying to get a sense of what direction we're going here.

I thought with the deputants here with their ministry, we were going to pursue that. I respect what Mr Callahan is doing, but we are talking about another ministry. It's a very important point and I support him on it. I'm just wondering if this is the time to be doing it. If that's the Chair's rule, fine. Then I can get my materials ready to participate in this debate, motion or inquiry, whichever you rule it is. Could you just guide me in this regard, please? It would be helpful.

The Chair: I'd like to answer Mr Jackson's question because I think it's very appropriate. As members know, I was not in the chair yesterday afternoon when the notice of motion was made. This morning, I spoke to a couple of members who had some concern about the notice of motion and about the motion itself, whether it was necessary or whether we could get the information without it. There was a whole host of concerns.

This committee has not yet decided when we're going to hear Mr Callahan's motion. What I thought I would allow this morning was some free-wheeling discussion on the concept of the motion so that we would have a better idea of the merits of the motion, whether we wanted to proceed with it and when we were going to proceed with it. I was keeping an

eye on the clock and I was hoping that by 10:30 this morning all members of the committee would have had the opportunity to participate in this—I wouldn't say unusual, possibly less structured—debate on Mr Callahan's intent.

1020

Mr Jackson: I wasn't nor was my caucus one of the groups you discussed this with this morning. I now am informed, so I would like to participate in this discussion in the eight minutes you've said we have remaining to discuss it.

The Chair: Okay.

Mr Callahan: Can I perhaps assist? I remember yesterday somebody made the comment that we have the ministry people here and perhaps we shouldn't be debating other things while they're here. I'm quite content, if the committee wishes and is in agreement, that this matter perhaps be set down until a little bit later in the day to be dealt with, or, if as the Chairman has said, we restrict this until 10:30 just as a preliminary step and then get into it at some later stage rather than inconvenience the people from the ministry.

The Chair: I think this discussion bears heavily on what the witnesses might want to do in their future endeavours within their own ministry, so I think it's an advantage to them to hear this discussion.

Mr Duignan: We have no problem with this motion whatsoever. The audit was done in 1990. Maybe another follow-up audit needs to be done to see exactly what's happened since to some of the concerns the auditor raised.

What I would like to see along with this particular audit—I know we collect roughly 10% of the money outstanding, but what percentage of cases does that relate to? For example, does it relate to 100% of the cases that have been referred to the ministry or 50% of the cases? That \$10 million could refer to 100% of the cases out for collecting, and we're just not collecting enough money. I don't know those answers but I would like to know those answers.

Mr Jackson: For my part, I would be more interested in following up on Mr Duignan's suggestions, but also whether the government would be amenable to inviting someone from that department tomorrow to appear briefly before us to clarify these matters.

It strikes me that we can either ask someone from the auditor's office to explain what he thinks is going on there currently, ask our researcher to go and find out or invite the civil servant in that department to come before the committee. Maybe we could get a sense from the government. I know Mr Callahan would certainly support a brief opportunity to have someone from that department forward just to clarify their procedures.

The Chair: Before we vote on the motion or before the motion's called?

Mr Jackson: Yes. You used the word "unusual" procedure. I'm just simply going with the flow here.

The Chair: "Less structured."

Mr Jackson: I got a sense from Mr Duignan, as the whip for the government side, that he was somewhat supportive of the direction.

My final comment in the interests of time: As I understand it, this committee will examine several recommendations

once we conclude not our debate, as Mr Callahan referred to it, but our inquiry into the activities of this ministry. Our debate and subsequent recommendations hopefully will occur in the afternoon of Thursday of this week.

At that time, in my view, it would be appropriate to refine this recommendation of Mr Callahan's in the context of what I believe will be several recommendations flowing from this committee's activities this week. I think that's the more appropriate place, but it's helpful if we could get some feedback from the government if it supports an invitation of that nature.

The Chair: We have some time available tomorrow afternoon. Mr Hope and then Mr Duignan.

Mr Randy R. Hope (Chatham-Kent): I think Mr Duignan wants to clear his comments up, because Mr Jackson has interpreted.

Mr Duignan: I'm in support of Mr Callahan's motion, but I understand that's a new item for discussion another day by this committee. We're dealing with the FBA referral right now. I think the auditor's going to need some time to do a follow-up audit, and I don't think that information is going to be ready this week. My suggestion was that the auditor look at this and that it come back to this committee to be dealt with later on, not at this particular time.

The Chair: I'll tell you what. Why don't we think about this for the rest of the morning, and at approximately 11:50 this morning Mr Callahan can place his motion and we'll have limited debate and then take the vote.

I thank the members for their cooperation in dealing with this matter. Mr Callahan, the rotation this morning will start with yourself.

Mr Jackson: Mr Chairman, again to assist, there was a request of the ministry staff for an extensive amount of documentation. Would it be helpful to the Chair and to the committee if you inquired what of that information they came prepared with today? I have received this stuff from the researcher, for which I thank Mr McLellan, but several members laid out a half-dozen or so requests for information for today, and it would be helpful if we could get that up front.

The Chair: Thank you. I recall that yesterday during the course of business there were some requests made by individual members. Is some of that information available, Mr Pascal, or is it coming?

Dr Charles Pascal: Mr Chair, I don't want to be facetious and say it's in the mail; that's a different jurisdiction anyway. We received yesterday 15 requests for information. Some of it is on the shelf and is being collated and will be here hopefully today. Other requests will take a little time. It might be helpful to Mr Jackson and other members of the committee if I gave you early this afternoon an update with respect to what will be here imminently and what remains to be done, and a guesstimate with respect to how long that would take.

Part of the fault in terms of quick response is a function of the fact that we were here until a particular time, and I didn't arrange—I'll take ownership for this—for some kind of shuttle activity to get things going as they arose. I just didn't anticipate the kind of level and breadth of requests that would be forthcoming.

Mr Jackson: It's like estimates but a little more polite.

The Chair: At 2 o'clock, then, we'll get an update on where the information we've requested is at and when it will be coming forward.

We'll start off a 15-minute round. Mr Callahan.

Mr Callahan: The first thing I'd like to inquire about, and perhaps I need some clarification from you, is that on page 8 of your opening statement you say, "We identified five key priorities on which to focus in order to improve the program's capacity: (1) to link interested recipients to training and employment opportunities...." Do I gather that these are going to be employment opportunities to give them experience? The closest thing I can think of is the program in the schools they call co-op education. Is that the type of thing you're talking about?

Dr Pascal: That's one example, but I think the most prominent example is the Jobs Ontario program, which is designed to provide training and subsidies to employers to give both training and job opportunities to social assistance recipients in the private sector, and in the public sector as well. What we did through the infusion of staff was to create far more opportunities to do front door screening and review of current case loads to increase our ability to refer the recipients to the Jobs Ontario program. I think that's the most significant initiative, along with other training programs, and marketing the STEP program as well, as part of the activity. That would be the best example, and the results to date have yielded about 1,200 individuals being referred to job opportunity and training programs.

1030

Mr Callahan: In light of what you've said, I think that's certainly an approach and a direction one would want to move in to get these people out of the welfare rut, because if they don't, it's demeaning to them and it continues perhaps beyond their family to the next generation.

In light of this very important part of the process, were you ever consulted by the government, particularly by Employment and Immigration, about the introduction of this new WCB policy which would require that students be covered under WCB insurance premiums? There certainly seems to be an awful lot of it in the press.

An article by Richard Mackie of the Globe says, "Coverage could cost employers \$8 million, critics say."

There are several other comments made: "Student Jobs on the Line." "Seventy thousand college and university students may be axed over proposed Workers' Compensation Board changes.... About 50,000 training jobs for student nurses and other trainees are in Ontario hospitals, which would have to pick up their WCB costs under the changes slated for July 1."

It would seem to me that if you haven't been consulted, you should have been, because I can see this causing a significant impact on your efforts to get these people to be able to pull themselves up by their bootstraps and get out of the social assistance scheme. If you have considered it or you have been consulted, is there anything planned by your ministry to include in its budget perhaps a pre-payment of these insurance premiums in order to ensure that the employers who might take these people on will not refuse to do so because of the enlargement of these I think short-sighted

steps on the part of the WCB? I mean, they're just simply going to dry up the job scenario for people who need the training. That's a long question and it contains a lot of sub-questions, but maybe you can answer me.

Dr Pascal: Your question is very straightforward. The answer to the first part of your question is no, I was not consulted.

Mr Callahan: You were not consulted.

Dr Pascal: It does raise some interesting and important policy questions as broadly as you have defined them and those who have covered the issue in the media. It is a most delicate issue in various sectors, not just my own.

With respect to some of the policy implications, this has hit us rather quickly and recently, but perhaps Ms Fraser would answer the second part of your question, which is the relationship between this particular direction and the impact on our own clients in terms of our common interest, around this table, of meaningful self-sufficiency and interdependence in terms of our clients being in the mainstream labour market and all the precursor training activities required for them.

Ms Alison Fraser: I think, Mr Callahan, you've raised the question of what the impact would be on our intent to get social assistance recipients back into the workforce. I think one can look upon that in two ways. One is that there will be some additional costs, as you've mentioned, to the employer in terms of that coverage. The second is that if a student were injured in an employment situation or in a training situation such as you're describing to us, if that person does not have coverage through workers' compensation, then it would be likely that that person might end up on social assistance.

So from our perspective there are both, in the vernacular, an upside and a downside to that kind of coverage. There are additional upfront costs, but on the other hand there is the insurance aspect that ensures that this eventuality would be funded through that system, which is a contribution-based system.

Dr Pascal: When we talk about an upside, we're being very parochial here; we're talking about the load on our particular budget. We don't mean to be disrespectful with respect to the load on others' budgets, whether they be employers or social agencies or colleges.

Mr Callahan: It's my understanding that in those avenues in the past where there have been opportunities for people to go and get some training on a non-pay basis or a subsidized basis, the question of their possibly having an accident, as was raised, is covered by—I may have misread this, but I think it's covered by insurance that the person who sends them there has provided outside of WCB; I may be wrong, and I'm sure if I am I'll be called to task about it.

This policy is really frightening because of things like: "...200 nursing students would add \$180,000 a year to the hospital's operating costs at a time when the freeze is on." I'm not going to comment on the freeze; obviously everything's tight.

"The Volunteer Centre of Metro Toronto warns that the policy can endanger the positions of up to 30,000 volunteers, including candy strippers and people who work for the children's aid society."

If Mr Mackie is right in his article, that's scary, because what that does is to really strip us of people who, in the past—volunteers particularly; the minute you start getting on their backs, you lose the volunteers. If we think we've got a deficit now, we'll be in worse shape. Volunteers are the backbone of this province and this country.

I would certainly hope you will be communicating with Mr Di Santo of the Worker's Compensation Board. He may feel that this is an opportunity to secure some more money. I don't know why: perhaps to do some building, who knows? But it's certainly very counterproductive, and I don't think it's going to be beneficial to young people, to volunteers or to anybody else. So he should take another look at it.

The article even says, "Between 50,000 and 70,000 people in training programs could be affected." This is according to the Association of Colleges of Applied Arts and Technology of Ontario and the Council of Ontario Universities. I think that's a message that can't be emphasized more to the public, that they should get out there and try to find out why this policy has been taken upon itself and what they can do about stopping it, because it seems to me that it's a totally looney tunes thing, and unless there's some very legitimate reason for it, I think they're going to impact on people trying to get back on their feet.

I'll move on to another issue. How much more time do I have?

The Acting Chair (Mr Noel Duignan): You've got six minutes.

Mr Callahan: I'm concerned about the issue under maintenance and child support. The ministry pays approximately \$1.3 billion annually to over 140,000 sole-support parents. I have no problem with that. They're in need, and that was one of my concerns about the bad debt collection, that we'd have a lot of money to look after those people who legitimately need it.

However, it does concern me that in over 70% of the cases—let's see, the auditor says: "We reviewed these procedures in over 100 sole-support parent files. We found that in over 70% of the cases, either no support was received, or only nominal amounts were received. In many cases, evidence suggested the recipients had not made reasonable efforts to obtain support from the other parent. The ministry did not reduce the monthly allowances in any of these cases, although it has the authority to do so under the family benefits legislation."

That was one of the reasons I asked you yesterday. I would certainly expect that if we do a follow-up audit a year from now we would see this in place: With the technology of computers that's been around for a long time, surely we have the ability to be able to marry the computer system of the Attorney General, with his SCOE legislation, and marry your ministry with a whole host of other operations. It's mind-boggling that governments can adequately track people who are renewing their licence plates, adequately track those who fail to pay a parking fine, a speeding fine or a Highway Traffic Act infraction, put so much effort into doing that, with the rather serious result that if you don't pay it you find yourself driving without a licence and you don't know it and can wind up in jail for that.

Yet here, one of the most sensitive and one of the most important issues that I think a caring society should be terribly concerned about is your ministry, is the looking after those people who for whatever reason—a downturn in the economy, a death in the family or loss of a job—need assistance. It just boggles my mind that this would not have been the first avenue that would have been tied in with an on-line computer system to ensure that SCOE works.

1040

I certainly hope you have more success than the Attorney General has had with SCOE. I think every member around this table would agree that SCOE is one of the most constant referrals and questions asked of us by constituents. It probably causes the most consternation in terms of trying to recover moneys for people, even with the garnishee proceedings. That has not enhanced it.

In some areas, it has in fact worked an injustice. I had one constituent who wrote my office. His income tax return had been garnisheed. He and his wife had gotten back together again and agreed that there was no necessity for support payments. They were trying to get this money out from underneath this cloud and were having an unbelievably hard time in doing it.

Mr Jackson: Maybe that's what brought them together, a project they could work on together, Mr Callahan.

Mr Callahan: It could be. But in any event they very desperately needed this money for themselves, their own welfare and their children's welfare and couldn't get it. It's still being flogged around.

In any event, I've had my—

The Acting Chair: One minute.

Mr Callahan: Have I got one minute? Well, what can you do in a minute?

Mr Jackson: Finish the story. Is there a happy ending?

Mr Callahan: There's no happy ending yet, but perhaps if you tune in in March, we may have a happy ending. I would hope so.

But all in all, I would be recommending as a member of this committee, I don't know whether my colleagues will—and I hope you won't take this the wrong way—that we would review your ministry again next year in order to determine whether these technological advances you've promised have taken place, and I'm sure you promised them in good faith, that the whole system would work better, because we can't afford to lose that kind of money, I think you'll agree with me.

Dr Pascal: Just in responding the last point first, we have found the process of dealing with the Provincial Auditor uniformly positive and constructive. I don't wish to assist Mr Peters, our new Provincial Auditor, in his work plan and priorities, but if he and others see fit, that would be fine. We'd be delighted to be part of the annual work plan to follow up on perhaps some of the more precise matters arising out of this past review.

With respect to the issue of family support and SCOE, again, as the Provincial Auditor has noted, we have been vulnerable as a result of the overburdened system and a problem with staffing. I think you're quite right with respect to an

insistence on a better track record. You're also quite right with respect to the need for data matching. As a result of a question posed yesterday along the same lines, we will present to you some time today, tomorrow or shortly thereafter a letter that was requested. I think someone requested a jointly signed letter from both ministries attesting to the fact that what we said yesterday about the data matching is in fact happening. We'll be pleased to close that loop.

The results since April are very promising. With the addition of the parental support workers, the number of cases assigned is about 5,000. I think as part of the discussion, though, it's extremely important to remember about the nature of the target groups. With all vigour and comprehensiveness, we should pursue each and every case, but we need to know that it's important not to overestimate the yield that will come from it because of the number of claims that are made against people who themselves are unemployed. I met again a couple days ago with parental support workers who are telling me their work is profitable in terms of the concerns you have, but it also has a percentage yield which we have to keep in perspective.

I very much appreciate your concerns. We think we're making some movement in that direction.

Mr Andre Iannuzziello: Mr Callahan, you may be interested in knowing that in April, just before we hired staff, the revenues we had on assigned cases with the SCOE program was approximately \$1.9 million. After new staff have come on board, we have not only an increase of 5,000 people who now have assigned cases with SCOE, but the revenues are up to \$2.3 million per month. So for sure, this is an area where we can generate a tremendous cost saving and we need to link up with SCOE to enhance the savings.

The Acting Chair: Mr Jackson, you have 15 minutes.

Mr Jackson: Perhaps I could begin with a question of clarification to the auditor. As I understand it, your activities were confined to the FBA, partially because they were set out in that fashion but also because the general welfare assistance is administered partially by municipalities and therefore you don't necessarily have the authority to go in and examine that activity, or would you have the authority to go in and examine those agencies?

Mr Dinkar P. Amrite: Actually, we have audited the GWA separately. It was also the subject of comments in an annual report back in, I believe, 1988-89.

Mr Jackson: Okay. We're dealing with approximately 40% of the total social service budget is FBA, just for rough estimates.

Mr Amrite: It's one third, I understand.

Mr Jackson: It's one third. It's lower. Okay.

My questions then: Yesterday I asked about the integrated offices and perhaps, Dr Pascal, you were able to check the list of how many. I know there's not many, but do you have that list for us and can you recite for the committee how many communities that is?

Dr Pascal: I believe the integrated site experiment is located in eight communities. Perhaps Ms Fraser would add a little detail with respect to where. I'm sure you have some follow-up questions which we will be able to answer.

Mr Jackson: I'd just like to establish the locations of the eight integrated programs.

Ms Fraser: I apologize to the committee. We had understood that the response to this question had been asked for in writing, and there's actually someone preparing a document as we speak.

Mr Jackson: That's fair ball, but we're going to run out of time. I have to get on with these questions and I do have questions. I don't have a debate at this moment. I'd prefer to do questions.

Ms Fraser: With respect to the location of the sites, I'm going to call upon my long memory next door. We know we have—Peel is one of them, Windsor is one, Thunder Bay, Lanark, Peterborough, Durham is one and there's one other—

Mr Jackson: Waterloo, yes.

Ms Fraser: Thank you.

Mr Jackson: I missed one: Waterloo, Durham, Windsor, Thunder Bay—oh, Peel, okay. Thank you.

Could I ask the deputy—twice you've referred to your visitations—have you visited any one of the integrated programs?

Dr Pascal: No, I haven't as yet.

Mr Jackson: Is there a reason why you haven't?

Dr Pascal: I have under my responsibility in terms of transfer payment agencies and responsibilities 7,200 transfer payment agencies.

Mr Jackson: Fair ball. You've been very busy. Has any one of the four members present been able to visit one of these offices for an examination or a review?

Mr John Stapleton: Certainly over the last 10 years since those integrated sites have been in place, I think I've visited all of them.

Mr Jackson: What is the nature of your review, and whom do you report to on the statistics found in those centres?

Mr Stapleton: I actually did not participate in any particular review. I thought your question was more of visitation. The actual responsibility is undertaken in each area by the program supervisor for income maintenance in each of those localities that correspond to our area officers. They have program review officers we otherwise refer to as PROs who are responsible for doing all the claims examination activities and statistical gathering and that sort of activity, to ensure that the administration cost and the filling out the form 5 data forecasts—

1050

Mr Jackson: Yes. Is there any comparative analysis between offices to determine that a greater rate of recovery is occurring in a given office or that a greater rate of file verification is occurring? Is there any analysis done within your ministry on these two points?

Dr Pascal: Mr Jackson, can I just ask a clarifying point? When you talk about the variations between offices, are you talking about integrated sites and other sites or are you talking about within the eight sites is there variation?

Mr Jackson: Between the non-integrated sites and the integrated sites. It strikes me that you have a unique opportunity here, and I'll get into that in a moment. First of all, I want to understand clearly the level of monitoring which is

currently occurring by your senior staff. There's no sense pursuing a series of questions if we're not monitoring nor are we doing comparative analysis of whether or not they have a more successful rate.

We have heard in camera from the auditors their position on this, and they're very clear in their understanding. I'm just again trying to establish the degree to which someone in your ministry is examining why certain offices have better success rates than others.

Dr Pascal: I can't answer Mr Jackson's question with any detail, because I haven't either anecdotally or myself in any rigorous way done that analysis.

Mr Jackson: You're the deputy. I wouldn't expect you to have that.

Dr Pascal: I understand that, but I—

Mr Jackson: I'd like to know who is assigned to this department and who's the number cruncher, who's the bean counter—forgive that offensive expression, but there is literally someone who is responsible for the moneys spent, as opposed to Ms Fraser, who is responsible for policy and implementing policy adjustments and accountability of certain staff. There's certainly someone there who's analysing numbers and reporting to you as a line responsibility. I would not, and I don't wish to, especially since we're on TV, assume that you personally have been involved in all this.

Dr Pascal: No, I was just—

Mr Jackson: That's why you have senior bureaucrats. I want to know which of these people before us today has this responsibility. Then I can continue my questioning.

Dr Pascal: With respect to assignment of responsibility, the person who is in charge of the development of the system from a policy perspective, and I infer from your question it's designed to inform quality assurance and development of the program in terms of decisions around things like delivery, both future options and ones that have been experimented with, would be Shirley Hoy, who's the assistant deputy minister of policy and program development.

My impression, and this is only an impression, is that one part of the answer in terms of the comparison that needs to happen is that because the case load ratios are lower in the integrated sites, by contract, some of the interventions we've described with respect to the program generally, which have been successful in recent months, would have relatively better outcomes in those integrated sites. They're not dealing with all clients, sole-support parents being the focus. That would be an impression and expectation, but—

Mr Jackson: You've used the words "impression" and "suspect." Our limited investigation has brought us to the conclusion that we are getting better results in integrated offices from several points of view, and it would strike me that if you are reading the auditor's report and responding to it, your solutions lie in certain areas.

I haven't looked at the cities which you identified for increased staffing. Are any of the integrated sites involved? We've not bumped the staffing in the integrated sites, so there must have been a conscious decision that those were the cities that required the assistance—

Dr Pascal: The cornerstone of our strategy with respect to the infusion of 200 and eventually 450 staff was designed to deal with the FBA case load in the areas where the client traffic has been exponential and the highest and that's where the staff have been located, not in the integrated site area, where the ratios are—

Mr Jackson: Fair ball, Dr Pascal, but the thesis we're getting is that in an integrated setting, you are having disproportionately more referrals to CPP because the intake is done at the municipal level with the various supports in the integrated environment, that the levels of reported cases of fraud are marginally better.

Perhaps at the root of this is a municipality's ability to hire additional staff. Most of us come from communities where our municipalities have acquired additional staff without subsidy from the provincial government and simply said, "Look, we have a 20% investment in our payment and we're going to protect that, and therefore we're going to hire the additional staff in the integrated setting."

I'll come to my most important area of examination for my purposes, which is why integrated offices have a better investigative rate, and I'd like to move into that, but do you wish to comment here?

Dr Pascal: Yes, if I can just make two comments and suggest another theory, because I think Mr Jackson's line of questioning is very important. First of all, I would predict that when the ultimate study is done—of course one of the reasons for deciding yes or no to doing the kind of in-depth comparison is that the issue of delivery has been an on again, off again question for political reasons for a number of years, and the disentanglement—

Mr Jackson: I'm sorry, Dr Pascal. You're talking about a definitive study. I'm simply saying to you—

Interjection.

Mr Jackson: No, I'm sorry; it is very important that we understand each other in order for you to be helpful to the committee. I'm not talking about a major study. I am simply saying that a woman with children who's been abandoned in the city of Waterloo is not different from a woman who has been abandoned in the city of Toronto. My point to you, sir, is simply that we don't have a disproportionate number of abandoned women in one community over another, but we do have them appropriately placed within—some of the concerns that were expressed in the audit review are being treated marginally differently. All you have to do is compare your intake numbers and your outcomes. That's not a major task, Dr Pascal.

Dr Pascal: No, and I was—

Mr Jackson: And you are not able to share that with us at this point.

Dr Pascal: Mr Jackson, I was going to go on to—

Mr Jackson: Don't talk about some big, huge study here, Dr Pascal.

Dr Pascal: Mr Chair, I was going to go on to say two things. One is of the specific nature that I think Mr Jackson wishes to explore, and I think it's very important, and that is that the most significant difference between the FBA offices, the standalones, and the integrated sites is staff ratio. It's

precisely the reason why the infusion of new staff is required to yield the integrity that you say, in a comparative sense, the integrated sites are yielding.

We can talk a lot about the municipal involvement, the provincial involvement. You're quite right about the nature of the client, and the most significant variable that's in common in terms of showing differences which the Provincial Auditor has well reinforced is the client-staff ratio. I think you're absolutely right and we don't need, as you say, a grand, well-designed study to show that.

I would like to suggest that Shirley Hoy, the person who's held accountable for this area and who's with us, comment on the integrated sites and then she can be up here to help with Mr Jackson's line of questioning on this.

Mr Jackson: That would be helpful. Before I proceed with that and because of the limited time, I want to put on the table the second area of concern. I think staffing ratio is significant, but I want to get into this whole issue of investigations, the investigative authority.

Yesterday, I asked you if you could respond to any changes in investigative procedures that have been recommended internally, if you could share that. Just for purposes of the committee's understanding, when I'm talking about investigating procedures, there are impediments to a civil servant pursuing a case of welfare fraud. There have been several jurisdictions, several provinces, which have been affected by the cap on CAP and they have reacted by strengthening the tools of the civil service in order to catch welfare fraud.

1100

It is very clear, in the conversations I've had with at least one integrated office, that it has more tools to catch welfare fraud than provincially run offices for the simple reason that it is an arm of the municipal government, and therefore information is shared within a municipal government setting. There are a whole series of questions which a provincial employee cannot ask of a municipality, but which a municipal employee investigating fraud in a municipal setting can ask, and that, in my view, is why the rate of collections is higher and why the integrity of the systems in our integrated office is marginally better.

I put that as a thesis, and I will explore it, but I have asked you for information on, has your staff recommended to you any changes in investigative powers? I've seen the Quebec legislation. It's rather extensive. I would hope that the committee has time to look into this because it essentially gives the civil servants the tools to go out and collect welfare fraud, to go and pursue it. We don't have the tools in Ontario that they have in Quebec.

Dr Pascal: Elected officials will have to decide whether the province of Ontario should have all the tools this particular jurisdiction uses. But let me ask Ms Hoy to explore both areas, the integrated sites in relation to, for example, the issue of investigation and impediments.

The Chair: Okay, we have Mr Hope, Mr Hayes and Mr Fletcher.

Mr Hope: I thought they were going to answer, because I'm particularly interested in listening to the answer that Mr Jackson was looking for. I think Dr Pascal just indicated that

Ms Hoy was going to answer Mr Jackson's comments or question, whatever it was.

The Chair: Is that what you indicated, Mr Pascal?

Dr Pascal: Yes.

The Chair: I'm sorry. I thought you were going to answer it later on. My apologies.

Dr Pascal: We wish to explore what I think is a very important area.

The Chair: It's hard to know what the members want because sometimes when they look up to the Chair they're pointing at the clock.

Mr Hope: Sometimes members don't put the direct questions and we take a long time to make speeches, which makes it very hard for the people to make answers.

The Chair: Sometimes members are pointing at the clock and we start the rotation, and then when you start the rotation they want to hear the answers, which affects the time clock, so we'll just do the best we can. Ms Hoy, could you please answer the questions.

Ms Shirley Hoy: In terms of the question from Mr Jackson, first of all, dealing with the whole area of investigation, when we read the article in the paper on some of the changes that the Quebec government was contemplating, certainly staff followed up on that. We did some follow-up discussions with officials in Quebec. As you saw in the news article, I don't think it's an easy area we can get into, and certainly the commissioner for privacy in Quebec cautioned the minister when he indicated that he wanted to go in this direction. Similarly at the municipal level, the municipalities—and I know with my experience at Metro—are also governed by the municipal freedom of information legislation.

In the whole area of looking at how we can broaden the scope of both provincial and municipal officials in investigation, we are looking at it, but we have not come up with any particular strategies to broaden that. It is an area of interest, I think, right across this country because every provincial government is facing the same kind of fiscal pressure. That's the extent of our investigation so far.

In terms of your earlier questions to us about what we have done with the integrated sites, we have not done official reviews, but certainly we have looked at the implication of having a lower case load and the impact on services to the clients and the extent to which we can look at how it affects the FBA case load management. As you know, the way we operate in the integrated sites is that it's a specific contract that we have with the municipalities in operating the integrated sites. They are still considered as a pilot. We've been looking at the results from this experiment. As we move in the direction of trying to help our clients to move back to educational training and employment opportunities, a clear area of success is the time the worker can spend with the clients to help them determine what their past education and employment experiences have been and where they can move to in the future.

On your question, Mr Jackson, on why did we not identify any of the integrated sites when we put the additional staff in and tried to deal with the case load situation, the eight sites we identified were the ones that had the highest increase

in FBA case loads. The reason we did that was that was pinpointed as the major area of concern by this report from the auditor and by previous reports as well. Our biggest problem has not been with the general welfare case load; it has been with the FBA case load. This is the reason why none of the integrated sites were covered by the additional staff that we have.

Mr Jackson: I will pick it up in my next rotation. Thank you. That's helpful.

Mr Hope: To Dr Pascal and others who are at the table there, I'm going to go back to yesterday because yesterday there were a lot of questions asked and not a lot of time for you to respond. I need clarification in order for us to deal with this by Thursday, and I'm not particularly interested in reading a whole lot of documentation and presentations that are there.

What I'm going to focus on is that we heard a lot of concern yesterday about fraud in the social service system. Do you agree that we should clarify the difference between deliberately defrauding the system and recipients who make errors? Do you agree that there are two separate types? In the auditor's report, he indicates preventing fraud and detecting fraud. Do you not agree there are two separate identities there, one deliberate and one of just basically human error?

Dr Pascal: Absolutely. There's clearly a demarcation between malicious and mischievous intent to defraud and administrative error and issues of commission and omission around those cases, which I think are qualitatively different from intent to defraud. In either case, I think the line of questioning yesterday was appropriate on both sides, and that is that we need to be rigorous and comprehensive about pursuit of different types of breaches of integrity to the system in order to ensure efficiency of outcome in terms of expenditures. But I certainly agree with the premise of your question.

Mr Hope: Then it leads to my next question, because we've identified and you've agreed with the auditor's report that there is fraud that occurs, whether it's intentional or unintentional. We're looking at preventive ways, because the report indicates that a previous government had the power to make corrections and didn't make corrections. Yesterday, in some of the comments you made you indicated that there has been an increase in the amount of moneys recovered in overpayments. Dr Pascal, you mentioned briefly yesterday something like \$100,000 a month that is being recovered, and I'm wondering if you might elaborate a bit more on that area.

Dr Pascal: To summarize very briefly—I certainly don't want to repeat my opening remarks—in the area of overpayment recovery from non-recipients, we expect an annual return as a result of the intervention of about \$8 million. As you mentioned in your question, Mr Hope, we're averaging about 100 or so cases a month being terminated as a result of fraud identification and action, and the yield is, as you pointed out, over \$100,000 in savings. A few moments ago, Mr Iannuzziello made reference to the progress with sole-support parent assignments. What have I missed? I turn to my colleagues.

We're quite pleased with the progress. Again, the Provincial Auditor certainly noted a vulnerability which was accurate. The discussion yesterday was extremely useful around

the need to be very rigorous about following up, for example, on fraud. We have never had a policy not to follow up on fraud; we were vulnerable with respect to our administrative action around that. I'm not here to pretend it has been otherwise, but I am beginning to be quite pleased with the progress and quite optimistic about our ability to act and to recover overpayments or to act on cases of fraud.

Mr Iannuzziello: What's really interesting is that when you look at the figures over the past six months, they reflect how aggressive we've become in pursuing fraud complaints or allegations. Between April and September, we terminated approximately 650 cases. In the months of November and October, we terminated almost double the amount that we did over that six-month period; in two months, we terminated over 300 cases.

1110

Mr Hope: My final question is dealing with Mr Callahan's questioning around who should collect the money in the ministry. I'm glad this report was tabled to us today from the Provincial Auditor, because it talks about the fact that it used to be in the hands of a private collection agency. I'm not sure, but I'm assuming it was the Conservative government at the time, and then the Liberals, who had an opportunity to return it back to the private or whatever, didn't do it.

Mr Jackson: Just how much high school history did you get, Mr Hope? Can't you read the year on that?

Mr Hope: Yesterday, Mr Callahan suggested that the ministry approach a private collection agency to collect the overpayments. Has the ministry ever considered this? Can private agencies offer a better collection rate for the taxpayers of the province?

Dr Pascal: The short answer is, on a personal level, I don't know. I know the line of questioning of Mr Callahan was something with which I was very comfortable, because we're talking about a common objective we all share, and you're reinforcing it as well: that we ensure we are rigorous and vigorous about the manner in which we try to recover payments.

Because I was quite curious about whether or not we had ever considered private collection agencies, I went back and found enough staff around to begin doing our work on responding to the information requests. I did ask someone in the ministry whether we had ever considered a private collection agency. I was told that about 10 years ago in fact it was suggested. I was also told that when we approached several, we were told they would probably give us three cents to five cents on the dollar.

Mr Jackson: You'd be breaking even at that rate.

Dr Pascal: Government services, we're told, is—

Mr Jackson: They're at 10%.

The Chair: Order. Mr Hope has the floor.

Dr Pascal: I'm told there was some experience with at least investigating. I don't know how thorough it was. It might have been just quite casual and informal. In the case load we're talking about, both current and former, with many of them unemployed and with the migration in and out of provinces, it gives actuarial statistics to various people who are in the business of making money a question of whether it

would be worth it in terms of yield. We have a lot of former clients who are disabled and move on to another security system, old age pension etc.

The other thing I did this morning, as the rumours I've just referred to are about 10 years old, was to ask someone to phone a private collection agency and just see, hypothetically, if we ever ask, because I thought it was a really important challenge being posed. What I was told by the staffer who made that inquiry was that the response hasn't changed. They said, "Maybe you'd get five cents on the dollar." He also said that on student loans recovery, the highest he's heard of anybody getting on that return is 30%, 35%. Maybe our client group is somewhat different, although I don't think we should exaggerate that.

Mr Jackson: Could you furnish us with the name of that agency, Mr Chair? Just a request for information.

The Chair: Order. We've got to stick to the rotation. Mr Hope, have you finished your line of questioning?

Mr Hope: Yes.

The Chair: Mr Hayes.

Mr Hope: Is the answer completed, though? Why I brought it up is that Mr Jackson starts asking questions while the deputants are responding to me, and then he comes in and starts throwing gestures out. I'm just wondering, are they done with the answer to my question?

Dr Pascal: Mr Jackson noticed that I took out—

The Chair: Dr Pascal, could you please answer only Mr Hope's questions and ignore all interjections?

Dr Pascal: I'm finished.

Mr Pat Hayes (Essex-Kent): Do what I do. I ignore Cam.

Mr Mike Farnan (Cambridge): That's very good advice: Ignore Mr Jackson.

The Chair: Ignore all interjections. Just answer the questions posed by the members of the committee who have the floor at the time. Mr Hayes, then Mr Fletcher.

Mr Hayes: Dr Pascal, yesterday I was asking for an update on the opportunity planning project. Of course, Mr Jackson did interject and raise the issue of STEP. The question I'm going to ask, and then I'm going to tell you why I'm asking it, is why did the ministry make changes to the programs? The reason I ask is that a lot of stories are going around this province. The leader of the third party, for example, about a year ago, was down in Chatham, in Mr Hope's riding, and made a comment to a group of people that we have people out there making something like \$17 or \$17.50 an hour and are on welfare. I'm just wondering if you could address that, because I've had letters and phone calls: "Is this correct that we have people who are making this kind of money and being on welfare?" I'd like a clarification, and ask you why you have made changes to that particular program.

Dr Pascal: First of all, the criticism of the changes has included of course the fact that this may be perceived as a backtrack with respect to the importance of STEP, the supports to employment program, and that certainly wasn't the minister and the government's intent. The reasons were two-fold, and I'll ask Mr Stapleton to provide some detail.

There were middle-income and, in some cases, well-documented cases, middle-to-higher-income individuals coming on to the program, and that's something we wanted to conclude. Also, it is a way, amid the many difficult, for us, choices of dealing with the fiscal challenge of the program: There's a cost avoidance of \$60 million. We try to do it in a way that is not a policy breach in terms of the importance of STEP. As a matter of fact, we have beefed up our marketing of STEP to clients to ensure that people understand they will be better off working than not working.

Mr Stapleton would probably want to add a few details.

Mr Stapleton: When we first started STEP, we provided it to both applicants and recipients of the program. We discovered, about a year into the program—we were monitoring the statistics very closely—that in fact more people who had earned income and who were working either full-time or part-time were backing into the program, even though one might say that from the earned income they were receiving they would be able to meet their basic needs through that income. If my recall is correct, approximately 55% of the total number of people who were in STEP, and that numbered some 90,000 people on general welfare assistance and family benefits, were in fact coming to the program with earned income in the first place.

The principal reason for putting STEP in in the first instance is for persons who are making either no income or very low income to actually be able to earn their way off the program or earn their way to a situation where they would be less dependent on social assistance. When we found that was not the case, the changes were made in order to allow only those people who were in the situation of having very low or no earnings to be able to get their foot on the ladder, so to speak, and move their way into paid employment.

The program is much more streamlined in terms of the original intent to help people get off. Over the last three years, those various elements of STEP, whether it be the first months of child care or the deduction for child care, have actually been increased, thus allowing principally sole-support parents, disabled persons and employable persons, to be ensured that for every dollar they've earned they are going to be better off for having earned that dollar.

There's no question that STEP is a complex set of rules, but that complex set of rules interacts with other systems in such a way that people will be better off for each dollar earned. The corollary to it, though, is that people who are earning full-time wages in the private or public sectors would not be permitted to come on to the program, because two of the rules are no longer permitted on an application and are only available to people after the three-month point.

The Chair: I'm sorry, but did I hear an answer to the \$17.50 question or did I not hear it?

Mr Hayes: In a roundabout way.

Mr Jackson: Was it a GWA question or an FBA question?

The Chair: No, it's Mr Hayes's question. I want to make sure Mr Hayes got the answer he was looking for.

Mr Hayes: I'm not really sure either.

The Chair: Mr Hayes asked a specific question, from what I understand, about \$17.50, and allegations and comments that were made. Was that question answered?

1120

Dr Pascal: The intent to answer the question was there. My first remark had to deal with middle-income people. I didn't say "middle-income people, such as people earning \$17.50," but I assumed that members would infer from that that I did respond directly.

The Chair: Did you get the answer you wanted?

Mr Hayes: If I may clarify, Mr Chair, I think that by people making these kinds of statements, there is the possibility that the public takes it that we have people making \$17.50 an hour and working 40 hours a week, which is the impression you would get from this, and drawing welfare at the same time. I guess what I want to ask is, is this so or isn't it?

Mr Jackson: Can it occur in Ontario?

The Chair: Order, please.

Mr Hayes: This statement was made about Ontario, people being on welfare.

Mr Stapleton: The short answer is that prior to August, it would be possible for a single parent who had children in child care, or for a couple who had a number of small children in child care, for either parent to be making \$17.50 an hour and still be eligible for social assistance. It's far less likely after August. It's still mathematically possible, if someone has a large number of small children and has a large difference between his gross and net earnings, that this could occur, but it's far less likely and might be only a hypothetical situation.

Mr Hayes: Thank you.

Mr Hope: Have we got more time?

The Chair: I was going to allow two more minutes. Mr O'Connor was on the list.

Mr Larry O'Connor (Durham-York): I would like to ask a question, but I don't think two minutes is going to allow me the opportunity to get as full an answer as I'd like.

The Chair: We'll put you first on the list in the next round.

Mr O'Connor: And I'll save that two minutes to add it on.

The Chair: We have time for a 10-minute round, because we have to deal with Mr Callahan's motion. We can't forget that.

Mr Callahan: Thank you, Mr Chair. I'd like to ask you a question. Maybe you've given consideration to it and maybe you haven't. You have hired 250 new people. Have they been hired on a permanent basis or on a contract basis?

Dr Pascal: Of the first 200, some have been hired on contract and some have been hired as classified staff. Mr Iannuzziello can give us the breakdown specifically.

Mr Callahan: Can you tell me how many are contract and how many are permanent positions?

Mr Iannuzziello: The competitions are presently being finalized. We started off last June hiring 200 people on contract. Shortly before Christmas, we started competitions—

Dr Pascal: Mr Chair, if I can interject, as I recall, of the 450 that we will hire in its entirety, 150 will be contract.

Mr Callahan: So 150 contract, and the others are permanent staff?

Dr Pascal: Correct.

Mr Callahan: And they're unionized?

Dr Pascal: Yes.

Mr Callahan: And they are hired through human resources in the normal way?

Dr Pascal: Yes. Also, as part of our commitment to employability, we have in other parts of our ministry downsizing and deinstitutionalization efforts going on with our schedule 1 facilities. We've made a special effort to have some retraining and internal opportunities for redeployed staff.

Mr Callahan: That's my reason for asking the question. Obviously, one would hope that this recession, which has increased your demands tremendously, is not going to last for ever. We criticize you, and I guess the auditor determines that part of the criticism is because of lack of staff, and that's how you got the additional allocation of 450 employees. We don't want to find you employee-rich either, so that you're falling all over one another. That would be a delightful approach, I would think, but it's not good economic sense. So 150 of them are contract. What type of contract would that be: a year, two years, three years?

Mr Iannuzziello: The staff that have been hired over the past six months have had approximately six-month contracts. In the final analysis, when all staff are fully on board, the 150 staff that will have to remain as contract will probably be hired on a six-months-to-a-year basis on contract.

Mr Callahan: Seeing as how the overall or optimum desire would be to get these people off the welfare rolls and back to work, has any type of consideration been given or any type of leg-up been given to people who are on social assistance to become part of those additional employees?

Mr Iannuzziello: Absolutely. The recruitment outreach social assistance clients are certainly applying and being considered for the positions.

Mr Callahan: It would seem to me they'd be the people who know the system best and could probably know the questions to ask and be trained a lot faster than people just coming in out of the blue.

Mr Iannuzziello: There are a number of skills that could be offered, absolutely. That's why the recruitment outreach includes social assistance clients.

Dr Pascal: That's part of the mix in our balance. Mr Callahan's absolutely right and this came up at treasury board when we asked for the \$18-million investment: lots of concern for adding civil servants when there's a downsizing and redeployment spirit and action expected of each line ministry. Redeployment of existing staff, the clients themselves and a very strong commitment to employment equity targets as well have been basically guiding the hiring of the first 200 and will guide the hiring of the last 250.

Mr Callahan: I notice that the government's looking at a policy of taking over 100% of the funding and I presume 100% of the responsibility of administering the entire social assistance program. I'm a believer that it's going the wrong way. I think transferring it all to the province and having it

pay the 100%, which I understand is how it's going to go, is really taking it away from the level where the people know the people in their community, can be more sensitive to their needs and perhaps are more attuned to unusual circumstances or knowledge they might have, if it's a small community, of possible schemes that may be inappropriate obtaining of funds and a whole host of things. But I guess that decision will be made by the government.

However, I would like to ask you, is there any type of liaison or joining of efforts between your information, your workers and those at the municipal level? I recognize that at the municipal level I guess they're dealing with just the welfare portion, but is there any type of use of those people on a secondment, a contract basis or whatever?

Dr Pascal: With respect to the first part of your question, which has to do with the disentanglement issue of financial responsibility and delivery because it relates to your second question, the reason why both sides of the disentanglement table, AMO and the provincial government, believe that the province should be the payer is simply because it's an open-ended entitlement program that is not best funded by the local property tax base. It's just a principle of tax and different kinds of programs.

With respect to who delivers, the principle of the payer being the quality assurer has been agreed to at the table. But who should deliver under the authority of the payer and what kinds of contractual agreements has not been decided and is up for further discussion after they've agreed to phase 1, which is just the issue of 100% for tradeoffs in the other direction.

With respect to liaison with our municipal partners, we have a committee that is known as OMSSA, the Ontario Municipal Social Services Association, with which we meet on a very regular basis. I meet directly with the president and the senior staff. We talk about all of our shared activity, including income maintenance, and we talk about shared challenges, including the issues of technology, information exchange and of course some of the more sensitive issues around payment and delivery issues.

1130

Mr Callahan: Is there still—

The Chair: Thank you. Mr Jackson.

Mr Callahan: Oh, sorry. That was a fast 10 minutes.

The Chair: Yes, it was a fast 10 minutes.

Mr Jackson: I wonder if Ms Hoy could rejoin us. I did have a few more questions to pursue.

Dr Pascal: I'm sure she would be pleased to.

Mr Jackson: Ms Hoy, as I understand it, when the Quebec government first contacted the Ontario government it was because of the practice which was uncovered of people living in Quebec and obtaining welfare in Ontario and that the Quebec government, rightly so, was saying: "Well, you're not going to collect twice. If you want to collect in Ontario and still live in Quebec, fine, but we're not going to pay you the additional money."

Are you doing any cross-monitoring or are you working at all with claimants who are claiming in other jurisdictions and claiming here? That's not come up in any of our discussions, but I'm familiar with my conversations with Quebec

officials. It seems to be one-way. Could you enlighten us a bit about—

Ms Hoy: In particular, in the last year or so, because of the situation in Quebec, we've had a number of discussions, not just between us and Quebec but also with our municipal partners in Ottawa-Carleton because, as you know, a number of these cases come through the general welfare system and, as Ms Fraser said to you yesterday, one of our initiatives is to develop these sort of bilateral agreements between provinces on information sharing.

In developing these agreements, we have been very cautious and our legal counsel certainly have been very cautious on how to develop them in such a way that we meet the requirements of all of the freedom of information legislation. In the existing situation right now, those agreements have not yet been signed. We're almost at the stage now of working one through with our federal people with the UI situation.

We are currently discussing how we could do a bilateral agreement between Quebec and Ontario to deal with the situation, but we also have to involve our municipal partners in this because, as long as they continue to operate and administer the general welfare program, they would also need to be party to any kind of information agreement.

Currently, there is a great deal of monitoring happening in the systems. The Ottawa-Carleton general welfare office relates to the provincial FBA office that we have in Ottawa and we are watching very carefully the cases and ensure, wherever possible, there isn't that kind of duplicate payment to the clients in Quebec and Ontario.

Mr Jackson: You also raised the other issue—and I'm straying slightly but I will raise it because I think it's germane—of the practice when an unemployed worker applies for UIC and in the interim requires short-term welfare. It's my understanding, and I've seen the documentation that, for example, the city of Hamilton wrote the then minister, Ms Akande, asking for assistance in developing a protocol with the federal government for recovery. This went unanswered. When there was a change in the ministers under Ms Boyd, at least they got a phone call. They said they weren't interested, but they got a phone call.

Hamilton now has in place this protocol and will save some \$10 million, \$2 million of Hamilton residents' money and \$8 million of the province's money, as a result of this procedure. I know the auditor's very interested, as is this committee, in what efforts your department is making in implementing this protocol across, because this is part of the 10% potential recoverables we've been advised are available to you to recover. On a \$6.3-billion program we're looking at 600 million-and-some-odd dollars of potential recoverables in any given year in this province, and here is a clear example where the federal government's willing to cooperate. It's doing it with Hamilton-Wentworth region and it did it without any support from the province, so you're benefiting. It strikes me that we should be doing this all across the province. Could you share that information with this committee?

Mr Stapleton: Yes, the UI assignment is being implemented province-wide. It's already begun. It's begun in other important ways too. As to the time period where UI and general welfare assistance, which is mostly the case in this

instance, are being paid, UI has been much more timely in its response over the last few months, which minimizes the period of potential double payment in the first instance. To answer your question directly, it is being implemented province-wide.

Mr Jackson: When will it be implemented? The savings in Metro Toronto alone are in the order of \$50 million. We could take all of our children's aid societies in Ontario out of a deficit position just with the savings on this one aspect of overpayment on welfare payments. Just this one aspect would eliminate the backlog of cases and the deficits for children's aid societies, which is a problem our deputy is currently struggling with.

Mr Stapleton: Our own estimations are somewhat more modest than \$50 million for Metro. They're somewhere in the order of \$50 million to \$60 million province-wide, but to take your question, yes, it's being—

Mr Jackson: We could eliminate all the deficits in Ontario with \$50 million, but my point is, when will this be implemented? It's now working in Hamilton.

Mr Stapleton: Yes, it's now working, and it's starting all across the province.

Mr Jackson: When did that start, was my question?

Mr Stapleton: When did that start? It started November-December-January.

Interjection: November.

Mr Stapleton: November.

Mr Jackson: November-December-January. Okay. Because in October, when I asked the minister, she indicated—it's on record with estimates—that there was no program in place.

Mr Stapleton: Yes.

Mr Jackson: I'm pleased to hear it now is because we've been asking for it.

Mr Stapleton: There's no program in place. We are entirely dependent on the federal government to put the assignment in place because it has to pay the money to our municipalities and to the province.

Mr Jackson: I've read the letters from the federal government. That's why they had to work directly with the city of Hamilton. I wish to commend the ministry, after first being notified two years ago, that we're now doing it. I want to put that on the record. I think that's superb. It's unfortunate that when Hamilton first identified this as a potential savings, we didn't react quickly, because by your own admission of your own figures, we could have been \$100 million in the plus from the moment Hamilton first said, "We can do a better job collecting this overpayment."

I know I've run out of time, but I hope Ms Hoy will join us this afternoon. I want to pursue this concept of the integrated approach, because Hamilton is not an integrated community but is taking an integrated approach. I would like to pursue that because I see some significant savings occurring out of specific offices in this province.

Mr O'Connor: I want to carry on a little bit with the line of questioning that my colleague Mr Callahan had talked about yesterday, and that's with the drug benefit plan. He had

talked about the dispensing fee aspect of it, the cost there. Perhaps I could get you to explain about how the benefit works, give us a bit of detail around it and then maybe elaborate more on the dispensing fee aspect of it.

Dr Pascal: We'll be very pleased to do so. Mr Chair, I'll ask the panel's expert, Ms Fraser, to provide a direct, clear and precise answer to the question.

Mr Jackson: Why? Is that going to be a change from what we've been getting.

The Chair: Just ignore the interjections.

Ms Fraser: Thank you, Mr Chair. With respect to the Ontario drug benefit plan and social assistance recipients, the arrangement is this: A social assistance recipient receives with his or her cheque a drug card. That will be the case whether the person receives GWA or FBA. The person takes the drug card to the pharmacist with a prescription from a doctor and has the prescription filled. The cost of that prescription, including dispensing fee, is eventually billed back as part of the cost of social assistance for persons in receipt of social assistance. The mechanism is actually based on a card that the individual receives.

Yesterday there was some discussion with regard to a particular individual who I believe was in receipt of social assistance—although it was not, I think, indicated which sort, GWA or FBA—who had a prescription for an extended period of time and asked the very reasonable question why it was that she had to pay the dispensing fee on a repeated basis.

1140

I'm sorry, my memory fails me as to whether a number was actually quoted, but I've had some people look into this and I can tell you that the fee for social assistance recipients in terms of the dispensing fee is \$6.47 per act of dispensing, if you will, that is, each time the client goes to the pharmacist. That would apply to all recipients of the Ontario drug benefit plan, both social assistance recipients and seniors. With respect to the fees for the general public, that is a matter between the pharmacist and the consumer and would be set by community conditions and so forth. It's not a regulated amount. The fee, then, would be paid on each prescription.

The issue, I think, that was raised was the issue of frequency of repeats or what period of supply the individual might be able to obtain. In fact there are limits, under the Ontario drug benefit plan, for those limits of supply. For GWA recipients, because eligibility is determined on a monthly basis and can change quite quickly, given the nature of the GWA allowance program, an individual can only have up to 35 days' supply of medication paid for in one prescription. With respect to family benefits recipients and seniors, I believe the time period's considerably more extended than that; it's 250 days' supply.

For the individual, I would suspect from the information provided that this individual was in receipt of GWA and was only permitted to receive 35 days of prescription on each occasion. That's in order to ensure that a person doesn't go off GWA and continue to have prescription drugs paid for under this program.

Mr O'Connor: That aspect of course is good, but I think Mr Callahan was referring to the periods that could be within

that 35-day period where they could go back for several repeats, and that dispensing fee could add up.

Ms Fraser: Certainly the position is the authority is, and the pharmacist would have been encouraged, to fill the prescription up to 35 days if indeed that was authorized by the doctor's prescription.

Mr O'Connor: Does the ministry have any feeling as to whether or not this area could be abused or is being abused? I know it's not something the auditor looked into, but do you think there could be any abuse in that?

Ms Fraser: With respect to the drug benefit program itself, it's my understanding that the Ministry of Health is reviewing that program. They're in the process of reviewing that program in order to look at opportunities to avoid abuse and minimize expenditure and ensure it's directed to appropriate individuals. We have been cooperating to some extent with that review, but I think it's in early stages at this time.

Mr O'Connor: Thank you, Mr Chair. I'll yield the floor to my colleague.

The Chair: Does anybody else want to use up the remaining four or five minutes?

Mr Hope: I guess I can pursue some of the other areas. When we're talking about the collection, we're talking about possibly people who are still on social services and we're talking about those who may have found a job and they find it very difficult to meet the job needs. You know, when you're on social services and you get a job, usually you have to buy work shoes, you have to provide transportation and transportation costs may be there. Just to help people get off services they have to make some assistance programs available to them because there's nothing out there to help them.

If I look at the auditor's report, the auditor's report says—I was trying to find the number of garnishment on wages. How would you come up with a number to make sure that you're not driving people back into more financial hardship by trying to recover those moneys that may have been an overpayment, no fault of the recipient, or may have been a misunderstanding of information? How do you work a system of that nature to try to meet the government's needs of these huge numbers of collecting the money back and meeting the needs of citizens?

Mr Stapleton: In each of those cases, for recipients, first of all, who go entirely off assistance, an individual negotiation would be made, usually at a more nominal amount as the person first gets into the labour market, but those will be done on an individual basis. For someone who remains on social assistance but is still earning—in other words, who would be a recipient of the STEP program—then it's quite likely in most of those cases that the recovery of any overpayment would be still made at 5% of the allowance, but not in such a way that the person's drug card or dental card or those sorts of things would be affected; but generally speaking, through individual negotiation.

Mr Iannuzziello: What's also important to keep in mind is that over the past summer what we've done is—we have staff in each of the area offices totally dedicated to this particular function and they play a significant role in determining whether a former client does have the ability to pay the

money back. The kind of judgements Mr Stapleton was just talking about are made before any further efforts are made to refer the case to central collection services.

What's interesting, when we look at the data, is in 1991-92 I think we collected \$4.2 million. To date again—we've gone over these figures over the past day or so but they're worth repeating, because to this point we've collected \$6.7 million and it looks as if we will collect a total of \$8 million for this year, which is double the amount we had last year.

Also, we've talked an awful lot about the number of referrals to central collection services. In the previous year we had referred a total of 293. This year we're already up to 960 referrals, so we are spending an awful lot of time and energy on overpayment collection.

Mr Hope: I'm going to reflect some of the concerns that are brought into my constituency office in my own area, Chatham-Kent. It deals with where we're providing more workers because we didn't do a good enough job in the past. Now we've got to do things better this time, we've got to be more efficiently staffed, we've got to ask for more information. Because we didn't have the proper numbers there before, we have the problem here today.

I'm looking at the human element aspect; I'm looking at it as the individual who's going to come now before me and start talking to me about a problem. The problem is that after 10 years of separation and 10 years of fighting to provide for her children and everything else, now the government wants her to go and pursue support payments. You haven't seen the individual for eight years, 10 years, and what you're driving is a human, emotional thing back on that individual.

I'm just wondering, as we're looking at trying to recover moneys, are we also looking at the human element. I know some people forget about human elements and focus on dollars, but I want to focus on the human element of driving that individual back to an understanding that you and I will never have of what that person went through in the separation. I'm wondering, are we looking at the human element when we're talking about recovering support payments.

Mr Stapleton: Actually, I think that's what you see in the situation where 70% of the cases are not being paid, or in fact that we only have support orders in 50% of the cases. One of the things we do is look at any situation of family violence, and where that's even suspected we don't even place a woman—which is normally the case in these situations—we don't place a woman in jeopardy in terms of sending her back into a situation, either with the estranged husband or the putative father, where that's going to affect her.

In determining whether there is a support obligation available, that's one of the very first things that's done, and in some cases we actually waive the support situation. But it's not waived for ever; it's always something we would come back to at another stage and in fact, if the situation had improved, then we would look at it at that point.

Dr Pascal: It's because of the balance among and between the human issues, the history of the need for support of children, the fiscal issues, that we have specialized workers, parental support workers who do nothing other than keep those things in balance as they deal with each case.

Mr Callahan: Mr Chairman, I have a little concern with that last answer—

The Chair: I'm sorry. You'll have to take that concern up this afternoon. The allotted time for this morning's questions has expired. We're now dealing with Mr Callahan's motion:

"That the auditor, under section 17 of the Audit Act, conduct a special audit of the Ministry of Government Services central collections division, with specific reference to the annual budget, number of employees, amount of collections referred to it; specifying the ministries and the amounts referred and the total received for the years 1989 through 1992-93 with the amounts successfully collected and any other relevant facts."

Mr Callahan, you could move your motion and I will allow approximately three minutes discussion for each caucus.

Mr Callahan: I so move the motion, Mr Chair, and I understand that the government members are going to support it. If that's not the case, I'd appreciate knowing that at this point.

1150

Mr Hope: I would only ask that a friendly amendment, in order for us—and I've had a brief chance to look through this. I want to ask the Provincial Auditor a question. If we were to move the date to, say, 1987, to give us a reflective view, to see that trend, would there be a problem with that?

Mr Callahan: I have no problem with that. The only reason 1989 was put in there was that was the information that was given to us by the research officer, if you look at the material you've got there.

The Chair: Why don't we just agree that the motion read "1987"?

Interjection: That's fine.

Mr Callahan: If the government intends to support it, I would just briefly re-emphasize the importance of this, because if the amount of money that's being collected is less than the amount that we're paying to provide all of the accommodations for a division of the government to collect it, maybe we should be revamping it and taking a look at it for a more effective treatment.

I'd even suggest that perhaps we might want to at some point—I don't know when—get somebody here from that specific branch to tell us what is the cause of this problem. Maybe it's underfunding. If it's underfunding, then it's kind of a wasted effort, even in these tough times, to withhold money from that organization if in fact the net result is going to be a limited amount of collecting of moneys that might be available for the consolidated revenue fund or for social assistance.

Those are my brief comments, Mr Chair.

The Chair: The auditor would like to make a point before we carry on.

Mr Peters: Because we had a brief correction and you added 1987 to it, I just want to alert you to the fact that the Financial Administration Amendment Act was assented to in December 1991. It had a very interesting provision which may be interesting for your deliberations, and that is that it

permitted that the fees and commissions chargeable by collection agencies were now a direct charge against the consolidated revenue fund and did not come out of the ministry's own funds. This of course provides an incentive to go outside, incur fees and commission fees and collect them that way. I just thought I'd put it on the table for your knowledge because the historical movement of these funds will probably be influenced by that one.

I think, in the second part, I'd endorse your idea of inviting the ministries, because there may be a very interesting question as to whether this amendment to the act, for example, has significantly influenced their efforts. Since it was made in December 1991, they now have a little bit of time under their belts to determine that. I'm not sure whether there is a comment.

Mr Callahan: If everybody got that—I guess they did.

The Chair: I think so. Thank you. Mr Jackson.

Mr Jackson: A couple of items, Mr Chairman: When Mr Hope was making reference to the Conservative government in 1988, if he's wanting to capture all three governments, it's a short—if you checked Hansard, you were inferring that it could go back to 1988. I assume that you had a lapse of memory.

Mr Hope: The Conservatives weren't there.

Mr Jackson: Precisely. I'm glad you caught it.

Mr Hayes: You are getting paranoid, Cam.

Mr Jackson: No. It's just that the idea of 1987—I'm having difficulty engaging the auditors on a trip back down memory lane. I think that its most significant elements are what procedures substantively changed upon the implementation of the freedom of information and privacy commission laws in this province, and clearly that evidence will become apparent in any examination of an audit, but it would be more of a narrative than it would be reflected in the numbers.

I'd be interested in that because I think there's a serious impediment in this province to collecting fees because of the emergence of these types of legislation, and that's what I'm hearing from other provinces. So the point at which that legislation was brought in in this province has changed our ability to collect. Frankly—I'm sorry?

The Chair: I'm not sure that's part of the motion.

Mr Jackson: We just received an amendment to start going back to 1987. I'm suggesting that I'd rather the auditor focus on the current year's activities to snapshot than to start comparing how many photocopiers we had and whether we had sufficient resources and material and personnel back in 1987. Frankly, I would much rather he do a stronger, more forensic audit of the given year of this ministry now to help guide us in improving it.

The Chair: So you don't want to go back to 1987?

Mr Jackson: I'm going to support the motion. I just think we're creating additional work for an already over-worked auditor. We are adding to his plate with this motion and it's sometimes helpful to the auditor if we—I recall, and this is no slight to Mr Peters, that Doug Archer was very quick to advise us of the extent to which any audit recommendation would engage his activities—not that Mr Peters isn't helpful, not coming forward with that. He's our new

auditor and we're very pleased and we think we have one of the best in the country.

My point is that I'm aware, having done audits on school boards in my private sector life, and know the kinds of work this motion now entails. To have it narrowly defined in a given year might be of more assistance to this committee, and I would certainly hope we might get some feedback from the auditor about the scope of work involved in this motion. I think that's a fair question, Mr Chairman.

The Chair: Yes, that's fair.

Mr Jackson: Other than that, I fully support the motion, as I indicated yesterday, but I frankly would have preferred us to invite someone from this ministry to come forward to answer some very brief questions before we voted on the motion. I would much rather that we voted on this with three or four other motions late Thursday and maybe invited someone to come for a half an hour before this committee. I'd certainly be willing to sit until the hour of 6 o'clock tonight or tomorrow night in order to achieve that but I think it may be a little premature, and we wouldn't need a motion which is so far-sweeping, the inquiry which this contains. It's still valid; it's just a lot of work.

The Chair: I hear you. It's a very good point, Mr Jackson. Maybe the auditor could take a moment to address the point that you've raised.

Mr Peters: I would be happy to, Mr Chair. The point of inviting the ministry in order to focus the audit is very much appreciated by us because it helps very much to get the sense of the committee as to the direction in which you would like to pursue the audit. As I pointed out before, in most of these kinds of audits you start with a funnel approach. You look at everything and you ultimately would like to focus on the significant issues. Certainly inviting the ministry would help in that regard. The alternative is just going to be in the timing. We will be doing it; we'll get it done as soon as we can.

The Chair: Okay. Mr Duignan.

Mr Duignan: Thank you, Mr Chairman. We will be supporting this motion. Mr Callahan raised a question, how much money does the ministry, this particular branch, spend in collecting the amount of money? On page 23 it indicates that in 1989 they spent \$1.4 million in administration costs, of which they collected \$7.8 million from debtors.

Getting back to my original question, or a question this morning: when we're doing this if we also could look at, in relation to a number of cases, the amount collected, and refer that to the number of cases that involved; and the percentage of cases referred for collection, what percentage had been acted on and money collected from it.

The other question I have is that in 1989 we reviewed the funds analysis of the \$99 million receivable for 1989 and determined that approximately 50% of that amount of money originated prior to 1980. "The fund should review its accounts and consider a one-time write-off of all inactive accounts older than 10 years." I was wondering, has that been done, and if it hasn't been done, of the \$140 million receivable right now, is that \$50 million still included in that \$140 million or not? In fact, has the recommendation to write accounts older than 10 years off been followed through on?

Mr Peters: You want us to include this in the audit? You don't want an answer right now.

Mr Duignan: No, not right now.

The Chair: The discussion on Mr Callahan's motion is now concluded. All in favour of Mr Callahan's motion?

Mr Hayes: Recorded vote.

The Chair: Do the members want a recorded vote?

Mrs Margaret Marland (Mississauga South): Recorded is fine.

The Chair: The clerk will call the names of the members. All in favour?

Ayes

Callahan, Duignan, Farnan, Fletcher, Hayes, Hope, Jackson, Marland, O'Connor, Sorbara.

The Chair: All opposed? None. Mr Callahan's motion is carried.

The committee stands adjourned until 2 pm this afternoon.

The committee recessed at 1201.

AFTERNOON SITTING

The committee resumed at 1416.

The Vice-Chair (Mr Joseph Cordiano): Members of the committee, I'd like to call to order the meeting of the standing committee on public accounts in our afternoon session.

Mr Callahan: Mr Chairman, on a point of order or a point of clarification: This morning we passed a motion asking the auditor to do a special audit under section 17. Just to be clear on how I understood the auditor in terms of having a person from that division come before us, I've just spoken with the auditor—I'll let him speak for himself, but my understanding is that he would rather have someone here beforehand whom we could interview, and that would give him clearer direction as to where he should go, so that he's not spending a lot of time around the edges where we may not wish him to go. Is that correct?

Mr Peters: That's a fair assessment, yes. In these special assignments, we are finding it very helpful to better understand the direction from the committee, and that very often comes out in these kinds of hearings. I put it to you that I would advocate that direction.

Mr Callahan: I'd ask, Mr Chair, if we could have unanimous consent of the committee, that as we've pretty well grilled these people, as near as I can figure anyway, to the nth degree, we may perhaps be able to fit someone from that division in tomorrow, if that's agreeable to the committee members. Then the auditor can use the period between now and the March sittings to do his work. Then maybe, if there's a necessity to bring these people back, we can bring them back in March.

Mr Duignan: Are you indicating that we could finish with these witnesses this evening and then tomorrow morning deal with this issue?

Mr Callahan: Tomorrow morning or tomorrow afternoon.

Mr Duignan: Tomorrow afternoon is in closed session.

Mr Callahan: All right, tomorrow morning. I've asked all the questions I have for these people. I don't know about Mrs Marland and Mr Jackson, but I'm sure we could probably finish them off.

The Vice-Chair: Could I suggest that we're not giving people who come before us an opportunity to prepare themselves. I think it would be fair to request that they be before us in the afternoon, but certainly not in the morning. That would be a little too early to ask for. Mrs Marland, we haven't heard from you yet.

Mrs Marland: No. Thank you, Mr Chairman, because as you know, I do like to speak for myself.

The Vice-Chair: I've noticed, but it's certainly welcome.

Mr Callahan: Far be it from me to try to put words in your mouth.

The Vice-Chair: Order, please. Mrs Marland, you have the floor.

Mrs Marland: What are we dealing with tomorrow afternoon in camera?

The Vice-Chair: There was, as I understand it, a motion put forward by Mr Callahan to have the Government Services—

Mr Callahan: That's been dealt with.

The Vice-Chair: I know, but you're talking about having these people appear before us. I was going to refer to the Government Services central collection service branch, which you want to appear before us at some point tomorrow. I've suggested that the earliest is possibly in the afternoon, to allow for some time for people to be notified.

Mrs Marland: Mr Duignan said we're in closed session tomorrow afternoon, so I'm asking, what is it that is scheduled for closed session tomorrow afternoon?

Mr Duignan: I understand that tomorrow afternoon we will be dealing with the evidence we've heard over the last couple of days from the Ministry of Community and Social Services and making recommendations to the auditor on what this committee wants to do next. That's the reason for closed session. So I feel we should possibly deal with this in the morning.

Mrs Marland: I'd rather make that decision at the end of today, and see how this afternoon goes. If they don't come tomorrow, they could come next week, couldn't they?

The Vice-Chair: Because I think it's only fair to allow a certain amount of time for people to prepare to come before the committee, I suggested that the early afternoon would be reasonable. If we do want to have this group of people before us, perhaps we could have them appear for a short period of time before we go into closed session in the afternoon sitting. That would allow for some time to ask questions and clear this section up and then move into the closed session following that.

Mr Callahan: Mrs Marland has asked if we could have them next week. Well, we won't be sitting again until March 6, I think.

The Vice-Chair: We sit the week of February 22.

Mr Duignan: According to the chairman's schedule, it's scheduled in for the beginning of the week of February 22.

The Vice-Chair: I don't see why it would be too much of a problem to have them in the afternoon, accommodate that for half an hour, and then move on with our closed session starting at 2 o'clock; perhaps have them at 1:30.

Mr Duignan: With all due respect, Mr Chair, they may require more time to prepare to come to this committee to answer some of the concerns we've raised.

The Vice-Chair: Fair enough. What I'm going to suggest, then, as I don't see a real consensus here, is that the subcommittee look at this and try to decide what scheduling arrangements can be made.

Mr Duignan: That's a good idea, Mr Chair. The evening's getting on. Why doesn't the subcommittee deal with this particular topic?

The Vice-Chair: I would suggest that, and therefore we could proceed with our other business. Okay? We'll have the subcommittee deliberate on this matter.

I'd like to move on to our regularly scheduled session.

Dr Pascal: Mr Chair, I just want to follow up on requests for information. I said this morning that the 15 individual

requests would be acted on in due haste. What I have is a list of questions for which we have information today and some questions for which we'll have most of the information tomorrow; we've summarized that. We have copies for the committee that we'll deliver to the clerk.

The Vice-Chair: You have that information in written form, and you're going to make that available. Fine.

Dr Pascal, are we going to deal with this matter first?

Dr Pascal: No, I'm just tabling information that was requested, Mr Chair.

Mrs Marland: They are probably the questions I raised last night, so I appreciate the promptness with which the ministry has responded to questions that were placed late yesterday afternoon.

Mr Jackson: You haven't seen them yet, Margaret.

Mrs Marland: Anyway, when we get into rotation, I'd like to speak.

The Vice-Chair: Dr Pascal, do you have additional information to present before the committee or shall we move into rotation and further questioning? I'm not quite sure where we left off this morning, so I ask the committee's assistance in this. Is the government next on questioning? It was Mr Hope, so we'll turn to Mr Callahan and continue with the rotation. Mr Callahan, you have the floor.

Mr Callahan: I was asking you yesterday about the impact of the federal UI changes which kicked in April 1: what impact and whether you had made preparations for the impact of that. Perhaps I should ask you, was there any consultation with the federal government, either at your request or its request, before it considered bringing in these rather draconian amendments?

Dr Pascal: No.

Mr Callahan: None whatsoever?

Dr Pascal: We were not in a position to consult with them about something we did not know was in the works, because they didn't consult with us.

Mr Callahan: Okay. Your ministry encompasses a number of areas, including this particular type of coverage. As far as you know, have there been any considerations in your ministry about the impact on other areas of your ministry? I'm not trying to be a fed-basher, but it seems to me that the direct impact of the UI amendments—I think people viewing these committee hearings would understand that as of April 1, it's my understanding, if a person is fired from his or her job, he or she will be denied any unemployment insurance coverage, even though he or she has paid into it and was entitled to it.

Interjection.

Mr Callahan: Maybe you could clarify it. I thought it was only if they were fired, but apparently if they quit, they're not entitled to UI benefits. Is that the understanding?

Dr Pascal: That's correct. The controversy arises, of course, in those situations where taking leave of the job—I'm being descriptive of the discussion in the public domain—may be for reasons other than personal choice under ideal circumstances: workplace harassment and those types of things. But I think you've got the basics.

Mr Callahan: I think it's important that the public understand that, although at first glance that may appear to be a very salient approach to take to unemployment insurance, in fact what it very possibly could do would be to allow an employer to manipulate his or her employees to the point where they become captive employees, because if they quit or they're fired, they're literally going to be thrown on to the social assistance of this province, and the taxpayers of this province, in turn, are going to wind up paying for benefits out of their tax dollars that should have come out of unemployment insurance premiums that had been paid by those people for that service.

It also seems to me that if unemployment insurance is truly what it says it is—insurance—and in fact the premiums are paid for by workers of this province and, for that matter, Canada, that's a totally draconian approach for the federal government to take to the question of unemployment insurance. It may have a sexy first look, but I find it absolutely abhorrent, and I'd like to canvass whether or not you feel you've got an accurate handle on just how much this is going to cost you.

Dr Pascal: Obviously I don't wish to characterize in one way or another the policy itself. My job as a bureaucrat is simply, as Mr Callahan is requesting, to assess the impact. We assess the impact in terms of cost to be somewhere between \$50 million and \$70 million. The discrepancy is due to the qualitative assumptions that are made when we try to figure these things out.

With respect to other impacts, I guess the only other impact I can envision is as an employer, as well as a ministry that has an indirect relationship with 7,200 transfer payment agencies which in turn are employers. Apart from that, I don't know if others on the panel have other impact responses to make, but in terms of cost to our system, UI payers who've severed the relationship with their employers coming on to social assistance we assess at about \$50 million to \$70 million, somewhere in there.

1430

Mr Callahan: Okay. I'd also appreciate it, if it's not a great deal of effort, if you could provide to this committee at some later date the financial impact of the changes in the workers' compensation coverage I referred to briefly this morning. Again, just for clarification, workers' compensation is now going to require that the employer pay workers' compensation insurance fees for people who are volunteers, who are job trainees. Of course that's going to impact on employers outside the governmental system, but it's also going to impact on government. I would like to know what impact that will have on your ministry so we can determine just how much more money is going to be taken out of the moneys available to you to service the people you're supposed to be servicing.

Mr Hope: Mr Chair, what does the request that's being made about workers' compensation assessment have to do with the auditor's report? I don't see workers' compensation even mentioned in the auditor's report. I'm just wondering what this request that's being made—it's substantial—has to do with the report. I just ask for clarification. If he's right, so be it; the information will be provided. But what a cost factor of workers' compensation has to do with the auditor's report—

The Vice-Chair: I will allow Mr Callahan to clarify that a little.

Mr Callahan: Would you like me to explain why I'm concerned? The auditor's report of course came out at a time prior to this policy being laid on the table. The auditor's report refers to a number of things, most of them being not enough employees and so on. Of course that all impacts on cost.

You may recall, Mr Hope, that I asked of the delegation this morning what the cost of the new policy that would require accident insurance coverage for volunteers and trainees would be to the government as an employer, because particularly through social assistance, if the STEP program and other things are to work, that's what it's going to try to do, put them out in a trainee situation.

Two things can happen there. First, if the employer says, "I'm not going to pay for it, and if you want to have them come and get a job, you're going to have to pay for it," that's going to impact financially on this ministry. For children's aid societies, if they have volunteers, and I'm sure they have numerous people in a volunteer capacity, it has far-reaching implications. I'd like to know if they can give us a ballpark figure of just how much that's going to cost, to be taken out of their already capped budget. And I don't say that disparagingly: In these hard economic times the Treasurer has to make some tough choices. But what impact is that additional policy going to have on their budget and thereby make their service that more difficult to provide? If the auditor goes back out, as I'm going to ask him to do for next year, is he going to come back and say, "You hired 450 extra workers, but your system is not any better"? And they're going to come back and say, "We hired them, but we had to cut back here, we had to cut back there; we couldn't give cost-of-living increases" or whatever. I don't want to see that happen. Generally, I think we're entitled to canvass that within the framework of this committee.

Dr Pascal: Mr Chair, we would be very pleased. As our own analyses arise from what began a few days ago—that is, the moment we read articles to which Mr Callahan referred this morning—we set in motion within our own ministry a group of people to begin assessing across all of our programs the impact of the WCB decision proposals. This will be true, of course, of every ministry. We have 7,200 transfer payment agencies which depend heavily on volunteers. We ourselves as an employer have many people from college programs on work placement, social service workers and developmental service workers, so it does impact. It will also impact on some of the things that are proposed in some of our major reform areas.

The only thing I need to say, by word of caution, is that the impact analysis which has to happen across the board is going to be an ongoing process. I can't say there'll be a single point in time where it can all be made available to the committee. But as it arises, if the committee so desires, if you wish to request that information of our ministry, we'd be pleased to provide it as it becomes available.

The Vice-Chair: Just on a question of clarification with regard to the handout we've just received, I was particularly interested in some questions I had the other day with regard to a cataloguing, if you will, of changes with respect to the

system we have in place today versus what was there before these changes were made. Is there any information about that in this document?

Dr Pascal: Mr Jackson, I believe, yesterday asked for an update of SARC recommendations, Transitions recommendations, and where we're at, as well as Back on Track.

Mr Iannuzziello: There was also the question about updating the eligibility review manual. That information will be provided tomorrow morning.

Dr Pascal: It's question 12; we'll have that tomorrow morning.

The Vice-Chair: Thank you. That was just for my own edification. Mr Callahan, you have five minutes left.

Mr Callahan: Just to go a little further on that issue, as I said this morning—there may have been some members who were not around—you've raised the impact by saying that it's not just your ministry and that it's not just money that's going to be affected. I think the most significant feature is that things like candy strippers and people who work for children's aid societies on a volunteer basis may soon become history, because if the hospitals, with their strapped budgets, have to pay the WCB stipend for candy strippers, they're gone. The children's aid society in my community, as I'm sure in many communities, is struggling to carry out its mandate—a statutory mandate in many respects—because of the cap on funding; they're going to lose all sorts of volunteers. I can think of the Elizabeth Fry Society and a whole host, thousands and thousands, of volunteers across this province. I certainly hope your ministry, through your liaisons with other ministries, might have them take a good hard look at this and the impact financially.

That's one thing. But I think the most important impact is the question of the myriad, those thousands and thousands of good people in Ontario, who volunteer their services and may very well find themselves having to become extinct because the bodies who are employing them or using them can no longer afford to pay the additional cost that is going to come from this policy.

That's over and above the obvious impact, recorded in Mr Mackie's article, that the employers out in the private sector are going to have to pay some \$8 million a year. That's going to mean the end of co-op programs and it's going to mean the end of any trainee programs, I would think, because no employer, even if subsidized by the government—unless the government's prepared to include in that subsidization the cost of that WCB premium—is going to hire these kids or these people on social assistance.

That's tragic, because I think your ministry was going along the right road, trying to get people on social assistance out of that rut and back in the workplace. With one fell swoop, I suggest that the policy that has been indicated, at least, will take place through WCB is an ill-founded one. This committee should send out in our report a very loud message that we do not agree that that's a wise policy, considering the economic times. I think we could include it in our message with the report about social assistance, because it does impact on that and the success with which you people can carry out your mandate.

Those are my—not questions, but as Peter Trueman used to say, “That’s not news, but that too is reality.”

1440

The Acting Chair: It’s the end of your time, Mr Callahan, that’s what that is; we’ll have to move on. Mrs Marland, you have the floor. You’re next in line for questions.

Mrs Marland: Dr Pascal, I’d like to return to the subject of overpayment write-offs, because the more I read about that particular area and see the comments the auditor has made about the number of dollars involved, the more concerned I become. What I really would like to hear, on behalf of the taxpayers of the province is some—I know we’ve got a systemic problem that obviously has been accelerated in the last two years, but I’d like to talk about the years before the past two years, where we have been in a recession.

I want to read, in the auditor’s comments, the paragraph that really gave me a great deal of concern. It’s on page 7 of his long-form sheets:

“The Ministry of Treasury and Economics requires that opportunities to recover amounts owed, even subsequent to write-off, should be pursued. However, some former recipients who had their overpayments written off were again receiving family benefits allowances. The overpayments previously written off were not reinstated for recovery.

“We estimate that \$2.6 million in overpayments written off in 1988-89 and 1989-90 pertained to recipients who were again receiving assistance.”

Just in this one group of people we’ve got \$2.5 million. I recognize that when these people come back on the system it’s because at that time they need welfare assistance, we hope. I mean, the legitimacy of their being on the system and receiving assistance today is because they’re eligible, and I know that’s not the time you can say to them: “I’m sorry, we can’t help you today. We’re going to close the door in your face today, even though you’re eligible, because you owe us X number of dollars because you were overpaid last time you were on the system.”

I don’t deny the fact that we all share in this responsibility to look after each other when we need to be looked after, which is what the welfare system is about. It’s about people who earn paying income tax, and that money being used to support other people who are not in a position to support themselves at a certain time in their lives. But when people walk away from overpayments, it’s fraud, isn’t it?

Dr Pascal: It is somewhat described by omission or commission. They would put it in the general neighbourhood, but there are varying definitions of fraud. Every province has a different definition.

Mrs Marland: The Criminal Code defines it, doesn’t it?

Dr Pascal: But if it’s due to administrative error and they’ve not been, according to policy, informed, I would not place that particular case in the context of fraud.

Mrs Marland: Okay. Let’s deal with the cases where they have been informed. If you’ve been informed that you have been overpaid on a welfare support dollar and you continue to receive that overpayment, and I would guess, when we’re talking about this category of overpayment—maybe you’d like to elaborate on that, but if we are talking about a category of overpayment, we’re obviously not talking about a

few dollars here. If it reaches the point of requiring a write-off because it’s uncollectible, it obviously is in most cases a substantial amount. So if you’re talking about somebody who has been notified that they have received money from the government for which they are not eligible, then surely it’s fraudulent to keep that money, because they’ve been given notice.

Dr Pascal: A couple of things: First of all, the Supreme Court of Canada next week will begin discussing the Findlay case, which will address the issue of overpayments to welfare recipients and the constitutionality of repayment. Second, I think it’s important that you hear very clearly from us that we agree with your concern that when there has been overpayment, at this particular point in time it is our policy to pursue that overpayment.

With respect to that policy in practice, you and the Provincial Auditor have found our interventions lacking and inconsistent. We accept that criticism and we have, through intervention of staff, through tighter accountability and assignment of staff to be accountable, begun to recover in major amounts, totalling about \$8 million in about 9 to 10 months from non-recipients. With respect to recipients who become non-recipients and then return to the program, we also have been remiss in a consistent way across the province, and we have taken steps to ensure the kind of integrity that you and the taxpayers would want to see. Just because they’ve been written off does not mean that the pursuit of overpayment would not be part of our action.

When they return, you’re quite right; by definition, they are in need of benefits and how quickly we can recover becomes an issue. We recover at a rate of 5% for each cheque as part of the repayment plan.

Mrs Marland: You refer to a case that’s going to the Supreme Court. Is this the first time a case of fraud through a welfare recipient in that particular category has—

Dr Pascal: As I said earlier about the greyness around describing certain overpayments as fraud, this is a case that obviously the plaintiff is not going to argue that having been overpaid through administrative error, the individual should be required to repay, but—

Mrs Marland: Is this the one where they got the computerized cheque with all the extra digits?

Dr Pascal: Ms Fraser knows in great detail from her legal background as well as her current job.

Mr Jackson: In what jurisdiction is this claim?

Ms Fraser: The case we’re discussing is the Findlay case and it arises in Manitoba, where the individual failed to report certain income and as a result was later assessed an overpayment and is now taking the position that the Canada assistance plan, under which these allowances are cost-shared, prohibits the reduction of his allowance in order to recover that overpayment. That’s the case that’s going to the Supreme Court.

Mrs Marland: How much was the overpayment, approximately?

Ms Fraser: I do not recall the total value, although I believe the cumulative total was in the thousands. But I can’t be precise; I’m sorry.

Mrs Marland: I'm sorry to interrupt you, but I find it interesting because I asked you yesterday about the \$38,000 example, which I think is also in the overpayment category. Was the \$25,000 one also an overpayment, the one I asked you about yesterday? It was? I find it interesting that here in Ontario we have an example of a \$25,000 overpayment and a \$38,000 overpayment and not only are we not at the Supreme Court with it, we haven't even proceeded to have any charges laid against those individuals. What is it that they're doing in Manitoba that they've obviously had a case which is now being appealed by the client?

Dr Pascal: First of all, in every case where we can identify an overpayment and with our interventions can proceed to investigate and follow through, we are doing so, including the cases raised by the Provincial Auditor. In some of the cases raised by the Provincial Auditor, some of the traditional problems of tracking, in terms of migration out of the province or missing addresses, are part of the problems of pursuit, but we don't disagree that there are problems of overpayment which should be pursued, and we don't disagree that in the past our vulnerability has been very real. We agree with that and we're doing something about it.

1450

Mrs Marland: But it's very difficult for the public to understand. Speaking on behalf of that public that doesn't understand, with the sophistication of computer systems and SIN numbers and everything else, it's very difficult for us to appreciate that people just disappear off the planet, because there are two ways people survive. They either work and earn money or they receive assistance from some government agency, or they steal; otherwise, they die from lack of shelter and food.

Mr Callahan: Or enter politics. That falls somewhere in between either category.

Mrs Marland: Excuse me, Mr Callahan.

The Vice-Chair: Order. Mrs Marland has the floor.

Mrs Marland: If you are receiving assistance from a government agency or you are employed, you certainly are trackable. Surely there must be a very simple cross-referencing system where, if one of your clients has taken off with \$38,000 that doesn't belong to him, the next time that person surfaces in Canada, his SIN number is flagged at whatever agency's door he's at asking for more assistance; alternatively, he now has a job and his employer is notified through the connection through UIC. There are all kinds of ways. I can't believe that people can just disappear.

Dr Pascal: First of all, every attempt is being made, within the freedom of information and privacy environment, which is something about which we have to be cognizant, to do data matching, to harmonize with the UI information, as we discussed this morning, and to pursue on a bilateral basis interprovincial agreements around data matching to prevent duplication and collection from one to the other. We certainly don't disagree that the public at large deserves increased integrity in terms of follow-up.

By the same token, while not underestimating the seriousness of it, we don't want to overestimate the yield we will be

able to achieve when we continue to pursue overpayment in a very vigorous and rigorous way.

The Vice-Chair: Pardon me, Mrs Marland, you have two minutes left, and Mr Jackson has indicated he has a question. I don't know if you want to proceed or—

Mrs Marland: I just want to finish this line of questioning. I'll give Mr Jackson the next round.

The auditor says on page 7, "There was no evidence that any efforts had been made to locate these recipients." He says: "The reason given in 60% of the write-offs we reviewed was that the whereabouts of the former recipients were unknown. There was no evidence that any efforts had been made to locate these recipients."

Are you suggesting that these recipients can be shrouded behind the FOI? I want to tell you, I received my federal income tax label through the mail this week, the little label they give you if you submit your own filing, and I was absolutely floored: There's my name and my address and my SIN number on the label that's going to go through anybody's hands, through the post office and anywhere else. So I can't believe that these clients can be shrouded behind freedom of information. I'm interested to know whether you can't access them because they are protected under FOI.

Dr Pascal: The fact that Mrs Marland has said she was floored I think indicates the sensitivity around issues of where the SIN rises.

Mrs Marland: But I don't owe \$38,000 to the taxpayers.

Dr Pascal: I think what's really critical is that Mrs Marland has reinforced very clearly that the ministry's practice in this area has been less than satisfactory. I couldn't agree more: It is less than satisfactory. In the 60% of the cases where they have been written off without any follow-up, we have no excuses other than the burden of the case load on all the workers in our offices, but it's unacceptable.

Mrs Marland: You don't agree with it?

Dr Pascal: It's totally unacceptable, you're absolutely correct. Our interventions around assigning dedicated staff both to do the work itself, as well as to hold those doing the work accountable, has been put in place. We plead guilty with respect to the practice. The performance has been less than satisfactory. We agree entirely. I certainly do.

Mr Iannuzziello: I want to emphasize the point that Dr Pascal made about how in each area office we have dedicated staff to this function, which we didn't at the time of the auditor's report. We have people in each office working solely on overpayment recovery.

Mrs Marland: As a result of that, are you seeing a reduction? How many months are you talking about? The last four months?

Mr Iannuzziello: Since last April what we've seen is that we've virtually doubled the amount of recovery.

Mr Jackson: What's your projection?

Mr Iannuzziello: The projection for this year is \$8 million, whereas last year—

Dr Pascal: That's for non-recipients.

Mr Jackson: Can I clarify that, Mr Chairman? First of all, we have a recovery number of \$300 million that the minister

gave us as your potential savings. You gave us a figure of \$8 million on those people who should have gone on CPP but are on FBA, and now we have another \$8 million?

Dr Pascal: No. The \$300 million consists of all of our interventions. It consists of training opportunities and job referral. It's inclusive when it comes to the rate deferral.

Mr Jackson: Without your walking through it, I did request whether you could give us the breakdown of that, if that is still possible, how you arrived at the \$300-million saving. It's difficult for us to receive an \$8-million saving on this, an \$8-million saving on that. There are so many categories where the auditor deems the ministry to have failed in terms of accountability, it's hard even for this committee to keep up with all the different categories you're attempting to rectify.

The Vice-Chair: I'm going to allow a short answer on that, because we've run out of time.

Mr Jackson: Just for clarification.

Dr Pascal: It's an important question. The short answer is that we'd be pleased to give you the breakdown, recognizing that some of the subcategories are elastic in both directions, but I'll provide a little more detail than I did in my remarks yesterday, where I paraphrased the sources of contribution to the \$300 million. I'd be pleased to do that.

The Vice-Chair: I'm afraid I have to move on to the next round of questioning.

Mr Duignan: Talking about disappearing people and disappearing money, I've just got some information here talking about disappearing federal dollars. I want to spend a little time talking about that right now. In the federal budget of 1990-91, the budget placed an extended growth limit of 5%, a cap on the Canada transfer payments from that period of time on, for three provinces: Ontario, Alberta and British Columbia.

I'm just looking at the growth limit on that over the last number of years. In fact in the 1990-91 year there was a \$400-million shortfall, in the budget year of 1991-92 there was a \$1.3-billion shortfall and in the year 1992-93 there was a \$2-billion shortfall. Because of that cap of 5% growth limit, the standard Canada assistance plan recovery from the federal government would have grown, if that wasn't in place, from 38% to about 42% of ministry expenditures from 1989-90 to 1992-93. Because of the growth limit, in fact it has decreased from 38% in 1989-90 to an estimated 24% for the 1992-93 fiscal year.

1500

I understand that if the federal limit on the transfer had not been imposed, the transfer would have grown in the last two years from \$1.37 billion to over \$3.3 billion in that period of time. That growth would have been driven by the increase in the federal government's share of the social welfare costs, which roughly would have increased something like 96% in that period of time, and child care and child welfare costs, which would have increased 23% in that period of time.

In a period of massive recession and massive increases in income maintenance because of the recession, I believe this limit means a federally driven increase in Ontario's deficit and provincial debt. In your particular department, what type of impact has that cutback had on the FBA program?

Dr Pascal: The financing of that program, of course, has put enormous pressure on us, as I said yesterday, and you've just reconfirmed it. The cap on CAP has had a three-year impact of between \$3 billion and \$4 billion, and counting. It has put, without being able to plan for it because it was done without notice, a major pressure on the ministry specifically and certainly the government generally.

That doesn't of course suggest that any of the things the Provincial Auditor has discovered in terms of the administration of the program shouldn't have proceeded anyway. But in terms of financing the program, financing and investing in reform and investing in technology, having that revenue along with some of the initiatives we're talking about would have given us perhaps greater opportunity to move more quickly. But I don't want to suggest an abrogation of responsibility to have moved on the points noted in the auditor's report in any event.

Mr Duignan: In fact over the last three years there's been a shortfall of some \$4 billion to the program, which the provincial taxpayer again had to make up, because we had to increase the deficit for the shortfall in the federal dollars. What's the planned shortfall for the 1993-94 fiscal year for the FBA program?

Mr Callahan: I thought the Treasurer included that.

The Chair: Are you asking me? You're out of order, Mr Callahan.

Mr Duignan: I'm just wondering what the expected shortfall for the 1993-94 fiscal year is estimated to be in the transfer payments to your programs.

Dr Pascal: You're still on CAP?

Mr Duignan: Yes.

Dr Pascal: I'm sorry, you're asking for the latest installment of this activity, and I don't have that. I just know that to date it's about \$3.5 billion, but if you're asking what's the next phase of that in terms of impact, I don't have that. We can certainly provide that tomorrow.

Mr Stapleton: One matter that might be of interest is simply the cost-sharing ratios themselves. On a program like the family benefits program, which did have a 50-50 nominal cost-sharing formula, the very fact that the federal government now pays in the neighbourhood of 26% to 28% means that the province's share of that program alone has gone up over 20% and is now in the 70% to 74% range.

On general welfare assistance too, which is a program that has a nominal cost-sharing formula of 50% federal, 30% provincial and 20% municipal, we now see the province reversing its role with the federal government and actually paying the lion's share of the cost there. Although the municipal share nominally stays at 20%, the provincial role now is again over 50% while the federal role is in the 28% area. Just using percentages as another way of measuring the order of magnitude in terms of the changes because of Bill C-69 and its subsequent passage at the federal level is an indicator of the massive changes that have taken place as a result.

Mr Duignan: Just using a formula based on a rough estimate of what your budget will be next year, in fact the federal shortfall could be in the range of about a \$2.7-billion to \$3-billion shortfall in federal revenues, which would put

the shortfall for the last three to four years at nearly \$7 billion from the federal government to your programs.

Dr Pascal: That's probably not out of line in terms of your projection.

Mr Duignan: Thank you, Mr Chair. I understand Mr Hope has a question.

Mr Hope: I'll just jump right in. I'm going to try and pick up, because it was interesting, the comments that were being made and the fine work that our legislative research people do. It says, "Ontario to Ottawa: Where's Our \$4.4 Billion for the Province of Ontario?" But I guess we'll still searching for that answer.

Today's debate and yesterday's debate have been focusing totally on fraud, and I just wonder how many people actually cheat on their income tax returns. That's another area. I guess as we talk about the fraud aspect of it, I would wonder, as we're talking about trying to recoup, the focus of the conversation has really thrown me off, because just sitting in the committee makes me feel that everyone on social services is defrauding the system. We've heard numbers that are like people throwing the dice and trying to figure out which number's going to come up first. We've heard projections of 2% fraud, 3% fraud, 5% fraud.

Mr Stapleton, you mentioned something about research documents yesterday, and I guess my question would be, what are the real numbers that we're looking at in terms of fraud, and do we have any research about what's going on around this issue about fraud?

Dr Pascal: The short answer is that I don't know. What I said yesterday I will say again today and that is, what we have decided to do is put all of our energy into identifying, detecting fraud and acting on it in a way that respects the overwhelming number of welfare recipients who are not defrauding the system, so that we don't overpolice it in a way that creates blows to the integrity of honest people.

But with respect to the research, I asked Mr Stapleton for a copy of a study that was done in 1987 by the Canadian Research Institute for Law and the Family. There are just three very short points that I'll read in response to your question, Mr Hope:

"Due to the nature of welfare fraud and how it is measured, there has been little reliable and objective research conducted. The actual incidence of welfare fraud is unknown.

"The literature indicates that the perceived incidence of welfare fraud is often exaggerated due to the prevailing negative attitudes towards welfare recipients.

"A few reliable studies estimate that the actual incidence of welfare fraud varies between less than 1% to almost 10% of all welfare cases, excluding unintentional client error and administrative error."

I guess what I'm trying to say again today is that the most important thing is that we put in the resources required to ensure the system's integrity and protection against fraud. As we do a better job with that, we'll be able to answer the question of incidence with more sophisticated intervention. I'm sorry that the answer continues to be a moving target. Again, our interest is in ensuring that most of our time is spent in trying to deal with the issue as identified by the Provincial Auditor.

Mr Hope: Why I bring it out is because, like I said, two days of this now and we've been talking about recovering overpayments, we've been talking about people not supplying information. It just seems to me that the viewing audience that is not part of the ongoing discussion here must think that 50%, 75%, 80% of the people on social services are defrauding the system. I just want to indicate that the auditor makes reference to 3%. That's the type of area as a percentage that we're talking about.

1510

Mr Joseph Cordiano (Lawrence): On a point of order, Mr Chair: Could Mr Hope clarify that point that he was trying to make, as I think it leads us off base a little bit here with respect to what other people said. We were dealing with what the auditor's comments were, and I think what other people said or may have said was a little off topic, trying to make the point flow from the auditor's report which is, I think, the point he was making about Mr Callahan's point of order a little while ago. But I think it's important not to use figures and go astray on these matters. Would he clarify what point he was trying to make there?

Mr Hope: If you look at the report on page 5 of the information that's provided for us, it says "at least 2.59%" and it's 3.66% of the total payments. So they're talking about the fraud, welfare fraud represents at least—it's in your report, if you read your report. I think the information I'm bringing up is more valid than the information brought up on the WCB, but what I would like to focus on, if I may—

The Chair: The only point I'd make on that 3.66% is, that's not the auditor's figure, that's the figure the auditor accepted based on a report done for the ministry. The auditor did not come up—

Mr Hope: It's in the report, in the body of the report. Am I wrong? It's in the body of the report, right? So it's part of a report.

Interjection.

Mr Hope: Okay, thank you. Now, I'm going to ask a question dealing with UI, because Mr Callahan has brought forward a number of concerns around unemployment insurance and asked about the impact of UI with the current changes that are going to take place April 1, I believe it is.

I was interested in listening to some of the comments he made at an earlier stage, of when the increase of growth happened around social services. I believe that is very reflective of a time frame that changes of UI had happened called Bill C-21, and I remember playing an active part. I remember the federal government making a comment saying it was modest changes to the Unemployment Insurance Act. I remember making comments saying it was draconian changes to the Unemployment Insurance Act.

I'm wondering—through those changes that took place by the federal government in 1990, with the changes to the unemployment insurance, and the changes—because you're going to look at changes that are taking place currently—what offloading has occurred by those changes in unemployment insurance and has now put pressures on our social service program in the province of Ontario?

Dr Pascal: I'll ask Mr Stapleton, because your question is a trend analysis, it's historical. I'll ask John to respond to that.

Mr Stapleton: I think one of the most important things coming out of the C-21 changes is that for the very first time—it was absolutely unprecedented in social assistance in this province—social assistance led the recession in the sense that the case loads we saw on our general welfare assistance program and our family benefits program actually started going up in a very major way before the unemployment insurance figures started to go up.

What that actually tells you is that people came to general welfare assistance and to social assistance programs in general in Ontario before they went to the UI program. Now, although that has to do with such things as people having shorter attachments to the labour market, part-time jobs and not being able to get the amount of weeks, it means that for the first time the UI program didn't act as that first line of defence, if you will, before social assistance, and rather than social assistance being the safety net it became the first line of defence.

With the further changes, as Mr Pascal has already stated, we are possibly likely to see a further hit from that, but it remains to see how great that will be. Certainly the C-21 changes in combination with the labour market changes that had taken place were responsible for an unprecedented change in the system.

The Chair: Your time expired at 3:12; I added a couple of minutes because of the interruption.

Mr Hope: I know you're always precise, so I stopped.

The Chair: Mr Cordiano, 15 minutes.

Mr Cordiano: I would like to lead the discussion in perhaps an area that is not easily definable or, shall we say, easily answerable in this regard. Let me start off by recounting what I heard on a radio station phone-in show one night as I was driving home. It was an anonymous caller. The anonymous caller was one of your eligibility officers, I think, filling out reports, visiting with clients at home etc. These were general views being expressed on this show but, trying to summarize the scope of this phone-in conversation, generally speaking, the person who was the eligibility officer, the anonymous caller, felt that the present situation, with the plethora of programs and new requirements, left gaping holes in the system opening it up to all kinds of abuse, that what used to be a very tight system or constraining set of rules were now no longer in place and that people were in fact abusing the system, people who were doing that because perhaps they had no other source of income but at the same time had all kinds of other assets which were not being looked at.

All the eligibility requirements have changed now. If you can bring me up to date on understanding that, those are the things I've requested: the kinds of changes that have been introduced from a policy standpoint in terms of eligibility. But the point I'm going to try to make to you is that there's a view out there that people who are not really entitled to receive assistance under these various programs are in fact receiving assistance. That's really the perception that exists at the present time with the larger public.

Dr Pascal: Mr Cordiano, I'll respond in two parts, because you're raising a couple of questions. You're raising, first of all, the issue of eligibility. We'll be pleased to provide you with recent changes to eligibility, but I think the central concern you and I share is the issue of fraud. As I said yesterday, most welfare recipients are among the most concerned about the issue of fraud, because they wish the integrity of the program to be established and maintained.

I can't comment on an anonymous call of an eligibility review officer, but I can comment on meetings I have with eligibility review officers. The most recent one was several weeks ago—I mentioned this briefly yesterday—when I spent two hours with 15 EROs in our Toronto area office, where they discussed the nature of their work in great detail. I was left with a couple of very clear impressions.

One, they're doing their job. It is generating at least three times the salary per ERO. The nature of the integrity breaches are of major concern, and they've established in this particular office some relationships with local detectives for follow-up.

One of the clearest impressions I got is that there are some very sophisticated groups of people out there who look at all systems that are under extraordinary pressure from participation in the system, whether it's a tax system or cross-border shopping and what's assessed at the border during peak hours, whatever the system might be. I cannot characterize the cases because of the nature of certain things being brought forth for prosecution, but I got the clear impression with most of the interesting cases that there were people who were basically spending a Thursday night trying to figure out how we are, in an intelligent way—including people who work in mainstream society. I can't characterize it beyond that, because there's one case that comes to mind which, when it does become public, will provide a sense of the nature of what's taking place.

But there are problems. If an eligibility review officer did phone a radio station and say there's fraud in the system, I hope he or she would also have said he or she is doing something about it. If they are one of our EROs in the Toronto area office, I assure you that the excitement about their work and the fact that they're doing it not as a welfare police mentality but to ensure the integrity for honest people on the system is something I'm quite proud of in recent months.

1520

Mr Cordiano: Well, it disturbed me, because the suggestion was made that there wasn't the kind of determination and thoroughness because there simply wasn't the time to do a thorough examination, that there were other hindrances which prevented eligibility officers and others from thoroughly examining what was being presented; in fact, that there was no direction that this was to be done. I don't know what it's attributable to; perhaps, as we've seen from the auditor's report, a lack of personnel or what have you. The people who were in place—and, I would say, are there today—may be more enthusiastic than they were because there have been indications that things will change, but they're continuing to be under serious constraints, serious pressures, and cannot thoroughly do their jobs.

Dr Pascal: Again, I really don't want to comment on an anonymous call, the origin of which can't be validated by

either of us. I simply know from what I'm told and what I've experienced directly that they know what their job is.

Up until quite recently, many of our parental support workers and eligibility review officers were at the front door because of the load, because of case loads of over 500, where distinguished, experienced and committed leaders like Mr Rowe, who's over my left shoulder, are there to ensure the number one legislative priority, which is bringing people in the front door and establishing eligibility, for which the Provincial Auditor found us satisfactory—it's one of those few parts of the report card where we seem to be doing relatively okay, in terms of establishing initial eligibility; we have some problems with respect to updating of information. But indeed we had eligibility—

Mr Cordiano: May I interrupt you? The comments that were made about the problems associated with this were to do with updating information and then the follow-through, if you will: getting information that was more up-to-date and therefore changing the status of a person's eligibility. Officers had heard indications that there were people who had reported other people, yet there was no follow-up to ensure that that update was being made.

Dr Pascal: Some of the examples, Mr Cordiano, that you've just used, I wouldn't put in the category of fraud but of an overburdened system where proper information, both the getting and giving of information to the client and from the client, has placed us in a vulnerable position. I think that's a very accurate criticism. If that's part of what the person commented on, I think that's fair.

Mr Cordiano: Call it what you will. I don't think at this point it's essential that we say that's a fraudulent situation. What we do know is that it ends up being in contravention of what is required for eligibility, so therefore there's a violation. I presume we can call it money that's being expended that should not be expended. "Overpayments" is probably the way to describe that, as a result of changing eligibility status.

Dr Pascal: Other than the fact that the only way in which we can effectively intervene requires a finer kind of subcut with respect to the distinction between fraud and overpayments of different varieties. But yes, we have an overpayment problem that has many contributing subcategories, and you've alluded to a couple, very importantly.

Mr Cordiano: It's difficult to get at this, because we don't have what I thought was important information; I know you've indicated you will probably provide that for us some time later. But it certainly could be said that some of the changes that were made in terms of eligibility criteria, as policy matters, have led to that situation as well. Am I correct in saying that?

Dr Pascal: Every time there is a change to eligibility rules there is very strong effort—it's obviously had some problem from time to time—to ensure on-the-ground training with respect to the differences.

Mr Cordiano: But there have been changes to the eligibility rules recently. Over the last several years, say, during the course of time that this government's been in office, eligibility rules have changed.

Dr Pascal: There have been some as part of Back on Track and the STEP change; there have been a few. If that's what you're requesting, perhaps Mr Stapleton could give you some examples.

Mr Cordiano: Yes. Would you please give us a review of that in general terms.

Mr Stapleton: In general terms, there's been a complete revamping of the eligibility review—

Interjection.

Mr Cordiano: With Mr Jackson talking, I couldn't quite hear what was being said.

Mr Jackson: I wish to apologize. The reason I was asking the question of clarification is that this question was asked yesterday and it's on the list to come before us. I simply wanted to know how much more time Mr Cordiano had. If he wants to use his last four minutes hearing something which is coming soon in printed form, that's fine; he has the right to do that. I was simply asking the Chair how much more time. If he had one minute left, I knew the deputant wouldn't, from the 150 recommendations of the SARC report, be able to give a complete answer to Mr Cordiano.

Mr Cordiano: Mr Chairman, I still have the floor, don't I? Can you please answer my question?

Mr Stapleton: As I understand your question, it is what are the changes we've made in the area of eligibility over the last few years and what we're actually telling our eligibility review officers through our manual amendments and that sort of thing. If that's a correct understanding of your query, we have made changes in the manual which reflect the new freedom of information and protection of privacy requirements.

We have made a lot of changes that made reference to old computer systems and now bring it up to date with our new computer systems. We've updated the whole overpayment recovery for non-recipients, which is something the committee has talked about at great length over the last two days, recovery of cases in regard to overpayments. Those areas have been updated and changed over the last year, but basically those amount to various different types of housekeeping changes and just keeping on top of current law and current events.

The real news in terms of our whole eligibility review system is that it's been completely revamped in the number of people and the number of referrals that are going to those people. Just going back to your earlier comment, if the comment of the caller was made in good faith, it's extremely understandable, both in the last recession and in this recession. The fact is that we have a statutory program that can grow by amounts, amounts which we do not know in advance. Certainly we did not expect, at the beginning of this recession, for the family benefits program to grow by 97%. As a result, we saw those unprecedented strains that tend to bring, as Mr Pascal has put it, people to the front counter of the program. So people who perform jobs that work on the program exits, like the parental support worker, like the eligibility review officer, simply cannot do their job in that environment.

Mr Cordiano: The point I am trying to make is that it has been the view of some people commenting, whether in the media or elsewhere, that eligibility requirements have been loosened and therefore that has led to an increase in all

kinds of difficult situations, described before by many members and described by others as being some of the problems associated with the system at the present time.

I don't know. I'm just trying to get to the bottom of that in terms of perceptions that people hold, and if that's the case, then we would want to understand why that would lead to additional instances where people are being provided with more incentive to move forward in this area, or where you have groups of people who are systematically planning to break the system or to go around certain rules. Where are the loopholes, where are the holes that need to be filled, if it's in the eligibility area?

1530

Mr Stapleton: Certainly, one of the areas is the client information update reports and the basic eligibility when it's first done. We got a fairly clean bill of health in the basic eligibility, but in terms of client updates it's been the case over the last couple of years, with that unprecedented growth, that certain clients have not been seen. We've done our best to get back on top of that and I think you'll find that over the coming year, with the new staff and some moderation in case load growth, we'll be back on top of it again.

During that period, if some clients got the view that because they haven't been visited, haven't had an income maintenance officer contact them and there hasn't been follow-up on situations that don't look quite right, as Ms Fraser put it yesterday, there might be a sense on the part of certain elements in the clientele that, say, "Hey, I got away with that," or, "I haven't been seen in a couple of years," perhaps that would lead to a sense on some people's part that the program has been loosening, but that's exactly why we have put the new staff in place and why we're working to get on top of it. But it didn't work that well in a scenario where every new staff we added was taken up with the additional case load growth.

Mr Jackson: I wanted to comment briefly about Mr Callahan's line of questioning around UI. I make no apologies for the federal government and its decision. Perhaps it's a particular Liberal view of the world that if another level of government pays for it, somehow we're doing a responsible job. I frankly wanted to indicate that if we could all take one step back and look at the decision on UI, it is no different from the activity we're currently undertaking, which is, how do we prevent the growing number of citizens who are working for 21 weeks, then quitting their job and collecting unemployment insurance for a year? UI fraud was a significant problem in this country. The government maybe reacted harshly, but it reacted to the problem.

Our problem is that cases of sexual harassment in the workplace have a terrible record before our courts. To say that being able to go and get UI is an effective remedy for workplace harassment—I reject that approach completely and believe that the matter should be dealt with, and dealt with harshly, and that the worker has the right to maintain the dignity of her work. Just for the record, I'm not about to throw stones at the federal government. I consider it an accountability issue of equal measure.

What I am concerned about is that we are accurately assessing the impact of those people who normally would fall

into the first wave of UI, the second wave of GWA and then into family benefits. We are seeing clearly a cohort of clients who are going from a workplace experience to GWA and FBA. I think it would be somewhat helpful if you could share with this committee briefly if you've at all been able to quantify that. I have the figure that you gave Mr Callahan of \$50 million to \$70 million. Was that predominantly GWA, FBA or a combination? I'm sure it wasn't all FBA.

Ms Fraser: Perhaps I could deal with that question. The numbers the deputy mentioned were indeed, if I recall correctly, almost exclusively GWA since the individuals involved would normally touch the GWA system first. It would be during their period of eligibility for GWA where we would feel that increased cost as a result of those changes.

Mr Jackson: Following along with this, pursuing this deeper, GWA doesn't run indefinitely. In some circumstances, we encourage clients to move from GWA on to FBA at some point. Is that not correct?

Ms Fraser: It will depend on the individual client and whether that client has FBA eligibility.

Mr Jackson: Correct, but there is a trend that you have been able to discern, by analysing your stats, that after a period of time there is an effort to move to FBA because FBA stabilizes the payment for a greater duration, and there's a variety of reasons. I'm noticing some interest and I want your colleague to participate in the response here.

Mr Stapleton: The only point of clarification I would make is that the only people who really can move to the family benefits program are those who are single parents or those people who have a medical certification of permanent unemployability or disability or who have reached the age of 60 years. Otherwise, someone could stay on general welfare assistance and there wouldn't be any particular time limit on that, although the usual period of time for, say, a single person is in the order of four to six months.

Mr Jackson: Perhaps I wasn't clear. If a family moves from a situation of employment, where they've quit their job—husband and wife and kids—they go to GWA right away. After a time, if they're not coping, there may be, for a variety of factors, a separation, and now it's in the best interests of the mother-led, single-parent family to pursue FBA. We don't have as many women in the workforce who are moving directly from quitting their jobs and then going on FBA. That is not the trend that I've discerned when I examine these stats.

All I'm saying to you is that we're going to see an increased activity in the transfer over to FBA, marginally, but we're looking at \$50 million to \$70 million as the increase in this fiscal year of new client loads that might have been on UI for a year.

Ms Fraser: In the fiscal year, starting in April.

Mr Jackson: Okay. So you're anticipating \$50 million to \$70 million. I want to get to the point of this figure of 4% that's floating around this week, the 4% increase in your costs for FBA and GWA. Is there concurrence that's the figure you're floating as a government right at the moment?

Dr Pascal: At this particular point.

Mr Jackson: You're projecting potentially 4%.

Dr Pascal: Yes.

Mr Jackson: Can you assist this committee in determining how you get our base figure? Then we can figure out 4%. But 4% on \$6.2 billion is about \$250 million. Is that about a rough estimate? Fine. We've been given a lot of figures that show—follow me here—you've got a \$250 million projected increase in your total payments to this program.

Now I ask you, how do we get a \$300-million saving? Does that mean that it's actually going to go up by the \$300 million in savings plus the \$250 million? Are you following what my concerns are? You're telling me that you've picked up an additional \$50 million to \$70 million worth of new clients. Is that where the increased costs are going to be broken down? I'm having difficulty understanding how your 4% increased projection is arrived at. That will help this committee unlock some of the mysteries around where your savings are to the issues raised by the auditor.

Mr Stapleton: Basically, the \$300 million, as I understand it, is against forecasts and against plans for what we would have otherwise seen. To look at that mathematically, if we have a \$6.2-billion program this year, at some earlier point in time, prior to May 6 last year, we were looking at an increase that would have gone in the \$6.7-billion or \$6.8-billion range, but then the \$300 million would be against that.

Mr Jackson: I'm not sure I understood that. In simple math, \$300 million is about 5%. Are you talking about a true 9% increase in expenditure with a 5% reduction in there to net you out at 4%—that's what I'm trying to get a handle on—or are we talking about a net increase of 9%, so your true expenditure increase is 9%? I'm just trying to understand which is the figure we're supposed to work with.

Dr Pascal: I think I understand the question. What Mr Stapleton has just said is that when the \$6.2-billion projection was put into the estimates, that took into account what otherwise would have been a \$6.5-billion projection as a result of these interventions.

1540

Mr Jackson: Let me reverse the question then, because you're talking of this fiscal year and the 4% is what you're projecting.

Dr Pascal: Correct.

Mr Jackson: Let's stay with one year. You pick the year and let's stay with it. I want to talk about next year, which is starting April 1, 1993. Those are deemed the 1993-94 estimates. Your Treasurer and your minister have already floated a figure. They anticipate welfare costs for this government to go up by 4%. I simply want to know what is your base number as you exit this fiscal year.

Dr Pascal: It's \$6.2 billion.

Mr Jackson: You're going to exit at \$6.2 billion and you're saying you're only going to increase your expenditures by 4%.

Dr Pascal: That's the projection. If we take two years, one at a time, we entered last year at a \$6.5-billion projection and a \$300-million intervention to cost-avoid, which we've been discussing for a couple of days. Exiting this year, we hope the \$6.2 billion will be on target, including the \$300-million cost avoidance, and on that \$6.2-billion base, we're projecting a 4% increase.

Mr Jackson: I understand that now. Thank you. What is your projected saving for 1993-94, since you're already able to estimate your gross expenditures in the coming year? What do you estimate to be your savings in the coming year?

Dr Pascal: Taking some of the interventions we're talking about now?

Mr Jackson: Correct.

Mr Stapleton: We don't have an exact figure. We're going to have to assess the \$300 million at the end of this year and see exactly what the amount is going to be next year.

Dr Pascal: The hesitation is that I'm making the assumption. I can clarify tomorrow morning or validate what I'm about to say. In terms of the advice we get from our financial people, my assumption is that if the projection is a 4% increase to \$6.2 billion, the kinds of interventions and cost-avoidance we hope to achieve this year are rolled in and taken into account in terms of that \$6.2 billion plus the 4% increase. I have to assume that's all built in. Otherwise, as you well know, the 4% isn't 4%; it's less than 4%, if that hasn't been taken into account.

Mr Jackson: I need help with that. If I may, Mr Chairman, there were several questions Dr Pascal returned today. He indicated there were 15. It's of limited comfort to me that five of my six questions didn't make your list today.

Dr Pascal: There was no malicious intent.

Mr Jackson: What was even more significant is that two of my questions didn't even make your list. So I'd like to go over those if I could.

Dr Pascal: I apologize for that.

Mr Jackson: That's okay. They were all thrown at you at a very late hour, but it's important that I get on the record now and not tomorrow night what I'd requested, which I thought we'd forgot.

I specifically identified three major policy initiatives which made welfare more permissive in Ontario. You addressed two of those, the lack of home visits and the non-residency. I also asked for the impact of student welfare or what people call walk-in welfare or over-the-counter welfare. I'll come back to that. You did give me statistics elsewhere which told me a lot about that.

The second question I had was with respect to what new statistics you are now keeping. Again, the auditor said you're not keeping statistics. When we as a public accounts committee say, "Can you give us these numbers?" you say, "We don't keep them." So I specifically asked you what are the new statistics you are now keeping as a management tool so that you can satisfy the auditor, this committee, your Treasurer, anybody. I needed to know which new statistical base you're measuring. I put a caveat on there. I also asked you what trends you have been able to discern as a result of now examining those statistics. You have periodically referenced them. I just wanted you to amalgam them and present them to us if you could.

Third, it wasn't on my list, but if you could, the name of this collection agency which your staffers had indicated. If you could just check with that staffer who gave you the advice about calling a collection agency to know who was only giving 3% of the recoverables back, that would be helpful if you could give us that. I know we're going to get inundated

with phone calls, because every agency is going to change its collection rates because they saw on TV that 97% they keep and 3% they give back to the person.

Dr Pascal: Just by way of response, first of all, my assumption yesterday, and I will check my own notes, but I thought the issue on the students was something you just tabled that you wanted to discuss. We didn't put it on the information request because that's not the way we heard it.

With respect to the MIS, management information system, that's an information request you're making right now. Number 13 is the question we thought captured that, "What new information is collected?" We would include in that response, I think, your reiteration.

With respect to the collection agency to which I referred, Mr Chair, I must say I'm very uncomfortable with that request, because, first of all, the request was made of a staffer very informally. The person who was phoned was under the clear impression it was not for public discussion. I can assure you, as I will testify right now and in the future, that I know the call was made and it was made in that particular context. I just think it would be unfair to the individual call to have that become part of the public domain.

Mr Jackson: Then with equal diligence and more clarity and direction, maybe you can ask the same staffer to call two agencies that would be more than pleased to go on the record and that staffer could enlighten this committee with, say, two collection agencies and their rates if they were given the assignment.

The Chair: Order.

Mr Jackson: Is my time up? That would be helpful and appreciated.

The Chair: Mr Hope, 15 minutes.

Mr Hope: I'm still stuck on this UI stuff, because I believe the changes, contrary to what Mr Jackson says, to Bill C-21 were draconian, were affective to people. You're talking about increasing staff, you're talking about doing better assessments on people coming in the door, making sure we comply with the auditor's report and his findings.

One of the areas which I found is very hard for a lot of people, and it's not because they're doing it intentionally, it's a lack of knowledge—those who understand Bill C-21 will understand the regional unemployment rate aspect. Every four weeks a new regional unemployment rate comes out and you may be short one day, you may be short three days, you may be short a week. You may not qualify as you went through the door of the unemployment insurance office.

I know that most of the time they go to welfare, but what about those individuals who are the single-parent moms and can access FBA right away? We have a lot of single parents working out in the workforce today who may qualify.

In your conversations you're having to make sure we get our money back or the money is returned back to the coffers, are you even in discussions about how UI is going to help you to assist in making sure those individuals might qualify down the road? Each four weeks, people are receiving notices that they may qualify if they've worked their extra day or extra week in that four-week time period. They may now qualify for unemployment insurance. I'm just wondering, in

the conversations you're having with the federal government, are you talking about the regional rating system too?

We're talking about putting more staff in place. I have some more questions I want to deal with on staff. I'm just throwing this out. If you don't have an answer, I understand, but I'm just wondering about those conversations, because we're talking about putting more staff on to comply with an auditor's report and I'm wondering if the actions that are being taken by the federal government are not causing us more problems in that sense.

1550

Mr Stapleton: Certainly the people we have talked to about the assignment system and putting the assignment system in place don't make the rules and they don't make any of the rules that relate to what happened with C-21, either in the sense of the number of weeks being eroded or the amount of time that one has to spend working before one gets on the program in the first instance.

Certainly that has continued to have been one of the really major stories of this current recession and the social assistance case loads that we've seen. Really, the assignment system itself will end up with more money coming back to us simply because people will not receive money for the same time period. I can say that that happens in two ways: both through the assignment system and through the fact that the time period of overlap has been reduced over the past time, but I suppose that's a long way of saying there's a different set of votes.

Mr Hope: I just wanted to lay that on your lap as I listened to the conversations that have been taking place about recoveries. I'm saying I have prime examples in my own constituency where people are dedicated and have worked 25 years and put all kinds of money in unemployment insurance and then all of a sudden—some may have been laid off for a little bit and then went on to unemployment insurance and went back to work—when they went to recalculate, they were three days short or a week short in receiving unemployment insurance.

I know that happens and, like I said, there are a lot of single parents out there in the workforce and it could happen where they're affected. I'm wondering how the cooperation will be with the federal government on that issue of the regional rating system and every four weeks the weeks may change depending on the unemployment rate—the qualification weeks will change.

The other area, and I've learned a lot about savings that you're doing in order to help the issue we face with the recession that's here—I come from an agricultural community, so I say the "silos" of savings that are there. If I look at the silos of savings on eligibility, you're making improvements in that area, complying with the auditor's report, making savings about CPP and making sure that people who are entitled to programs are getting access to those programs through the assistance of increased staff.

If I look at the savings that you're providing just on the direct deposit, for instance, you're talking about where you have to reproduce cheques of \$1.5 billion. If I looked at it in a silo, you've got savings there. Then I look at the cost of staff that you're talking about. Since there's been so much

conversation about fraud and the recovery aspect, can you explain to me—I'm understanding those other areas—clearly the process the ministry is taking to pursue the overpayment aspects? I've got some ideas, but I want a clear definition of how you're trying to stop, whether it's computer error or whatever error, the overpayment aspects to people.

Mr Stapleton: I can certainly start off. One of the items that was in the minister's announcement last May 6 was the fact that we were looking into a project of looking at monthly reporting on the family benefits program. Members may be aware that in the family benefits program we have earnings averaging, which means that a client's earnings can be looked at over a period of months. When earnings are looked at over a period of months, what this could mean is that the earnings can fluctuate, and at the reconciliation period, then we would have what we would call system-made overpayment.

In a couple of areas in the province, both in the southwest region and in the Sault Ste Marie office in the north, we've looked into the monthly reporting so that clients would be able to reduce the number and level of overpayments that were caused by fluctuations in earnings. This may seem like a small aspect, but it's a very important point for recipients who go back into the workforce and then find after a couple of months that they've massed an overpayment that they themselves actually don't know anything about. It has absolutely nothing to do with fraud or any manipulation or even any administrative error.

What we also found from the focus groups of clients that were conducted during the deliberations that the Moscovitch committee went through is that many clients were telling us, and I would say candidly, somewhat to our surprise, that they would appreciate a system where they reported a little more often as opposed to less often simply for the fact of not incurring the overpayment. I'll defer to my colleagues, but that's certainly one area that we're looking at very closely and feel has a lot of promise.

Dr Pascal: The only thing I would add for the moment to what I think is a very important line of questioning is that it's not just staff and it's not just the presence of larger numbers of staff. There were questions earlier this morning about worry about adding to the province's load in terms of the Ontario public service; on the other hand, it is employment. But it's systems design, it's better accountability structures and it's technology. All those things have to be part of it. We can't just keep adding staff as part of the interventions.

With each of the subcategories of overpayment, Mr Hope, I think we're making some progress. Again, we appreciate the kind of reinforcement and, if you will, leadership provided by the Provincial Auditor in calling attention to the depth and breadth of some of our problems. We're fortunate that the treasury board of the provincial government gave us an \$18-million investment at the right time so that we are here today with better news than we might otherwise be, because the system was under siege in terms of load and, as others have pointed out, vulnerabilities around administration and implementation of policy have been very much a problem.

Mr Iannuzziello: One of the points that was made in the auditor's report was the fact that we were behind in our annual reports that we had to complete on people who were in

receipt of social assistance. Since we've had the additional staff on board, up to this point we have completed 10,000 more client contacts than we had last year, which would update circumstances so that we should reduce the number of overpayments that are created.

Mr Hope: Dr Pascal, I was listening earlier to some of the line of questioning when it was talked about the Provincial Auditor coming back in. I just want some clarification for my own reasons, because I was looking at an editorial that was supplied in information from our legislative research dealing with social services. I'll just give you a synopsis.

They were talking about the transfer payments and everything else. It says that most of the problems were "particularly when some of the transfers were driven by irresponsible provincial spending increases in the 1980s." This was a news article saying that we are irresponsible in our spending and that's why the federal government put the cap on CAP, because of bad provincial government in the early 1980s and late 1980s. This is what this editorial says.

It's important and I think you brought it out, but I just want clarification for myself. Are you saying you're welcoming the Provincial Auditor to come back in, say, a year to make sure we're pursuing the issues the auditor has raised, to come back and do a reassessment to see if we're on track, if we're not wasting taxpayers' dollars? Am I clear on the assumption?

Dr Pascal: Mr Callahan proposed this morning—I'll leave it to Hansard to give a full report on what I thought I heard. There were areas that were serious enough that, given the nature of this program, he offered a suggestion to the committee and to the Provincial Auditor that, because of the magnitude and concern, public interest, they return.

I simply said that if that were the decision of the Provincial Auditor, I would welcome that. I'm not asking for it. We think we have the controls in place. My performance objectives clearly reinforce the importance of ensuring the kind of integrity that the taxpayers of Ontario and those in the system want and deserve. But I would welcome anything we can do to ensure increased accountability and consistency of administration in these areas. I simply was responding to Mr Callahan's suggestion that if others decided that would be, we would not find it an inconvenience.

We did not find the process with the Provincial Auditor this past year anything other than extremely constructive and helpful. It was not mischievous. It wasn't, "Oh, here comes the Provincial Auditor." As a deputy minister, it is absolutely essential to my way of doing business, or any other deputy minister's way of doing business, that a rigorous, arm's-length review of something as important as this program is extremely helpful. So it was only in that context that I said if others decided that's something they wanted to do, that's fine. I hope it won't be necessary, but if others decided that would be politically or fiscally responsible to do, then so be it, and we will be as cooperative with that process as we think we have been this past year.

1600

Mr Hope: Why I pulled a section of that—

The Acting Chair (Mr Duignan): Very briefly.

Mr Hope: Briefly? I just started. Let me briefly say, then, that I brought that comment out because it talks about the irresponsible governments in the 1980s. That was in the *Financial Post* of May 27, 1992. I take it most people read the *Financial Post*. Some would take that as gospel. That just tells us there was irresponsible provincial government in the early 1980s. I thought I'd bring it out for reference. I hope we're responsible enough to be accountable to the public.

The Acting Chair: Have you got a quick reply?

Dr Pascal: Only that I do not want to enter the large-p political fray. I simply want to say—

Mr Callahan: I'm glad you recognized it for what it was.

Dr Pascal: I recognize that. I enjoy my status and appreciate the courage required for others to run for office.

I simply want to say that in the early 1980s I was the president of a college in the public domain. I suppose the only legitimate PhD I have is one in hindsight. These are times that are different from the 1980s and there are some things we're doing now that we should have done then, that I should have done as a college president but didn't, that if I were one now, would be doing.

Again, we're appreciative that some of the upside of the fiscal challenges we face has to do with better accountability, better systems that should have been in place years ago.

The Acting Chair: Mr Callahan, you've got 15 minutes.

Mr Callahan: I want to go into a few items. You can indicate that I'm asking you something about policy, if I am. We all know there was no increase, or an increase has been delayed until April 1, I think, for recipients of social assistance. That's unusual. As I understand it—I've been here since 1985—it's been usual that the announcement has been made earlier on, I guess to allow parents to deal with and budget any increases. I recognize that you must have had to go to treasury board and ask for the \$18 million you've indicated for the additional 450 workers in order to rectify the concerns the auditor has addressed in his report. I'd like to know the timing of the request for the \$18 million. Was it made before or after you'd been audited?

Dr Pascal: It was made after the audit process had started. But the only addendum I would add is that requests for additional staff has been ongoing. That wasn't the first time additional staff for these types of issues had been requested. But at the time we were successful, in terms of this last round, the provincial audit process had begun. So the answer is, after the process had begun.

Mr Callahan: In fact, requests that had been made prior to this had been unheeded, but when it became apparent that the auditor was buttressing your own concerns that you didn't have adequate staff, the money did come forward.

Dr Pascal: I think it's fair to say that in a time of extraordinary fiscal constraint, when governments are trying to keep a lid on their own expenditures, as is the wont of the people of Ontario and the government itself and members of opposition parties, when individual ministries come forth with requests for additional staff in that environment, it's always helpful if there is research—

Mr Callahan: Some trouble on the horizon.

Dr Pascal: No, no, no. I'm sorry. I do not in any way want to characterize the treasury board's response as, "Let's avoid some trouble with the people of Ontario in terms of the Provincial Auditor's report." What I'm trying to say is that having an informal report that reinforced, through an independent and credible process such as the provincial auditing process, was something that wasn't unhelpful. But I participated in the meetings of the treasury board, and it was simply a matter of pressing the case for all the right reasons: to increase the integrity in the system.

Mr Callahan: I won't continue the water torture, but it could be simply said that it was fortuitous that the auditor made these findings, because it did in fact—I'm not saying this in any partisan way. I think governments always require spurring on by something that happens so they can give in to something they probably should have given in to earlier. That's why I'm so concerned about this central collection agency we have here in the government. If their problem is underfunding, we had better take a look at it and maybe we can create something fortuitous for them too, where the treasury board will provide it with additional funding if it requires it.

But the thing that does concern me is the fact that, as a civilized and a sensitive society, we have pushed the message to the public about such things as drunk driving, which is admirable, we've pushed it about wife assault, which is admirable, but I've yet to see any ads by any government, of whatever political stripe, that say, "If you cheat the system or you take more than you're entitled to, you're going to deprive some other person who has equal need of receipt of funds," and are also going to deprive, as happened in this case—the 1% or the 2% or the increase to social assistance recipients has been delayed until April 1; that means they go over the winter without that additional assistance.

I think most caring Canadians are prepared to see their tax dollars paid out to assist those people who are truly in need. There should be a campaign, just as there is with drunk driving and with wife assault and all the rest of it. In the final analysis—and maybe some people hearing this will think I'm stretching the message—it really is child abuse and wife assault. If there's not enough money in the house either because they haven't got the increase or they haven't been able to get through the increased and stepped-up efforts that are going to have to be obtained because of the pressures on the system, these people actually suffer and the kids perhaps don't get what they should get. I think that's as deserving of education through advertising as these other good things, like against drunk driving and wife assault and child abuse.

I think it's important that governments not forget that. This is not a handout for anyone who can play the rules; it's a handout for people who are in a tough spot. We're trying to help them out for the time being. That's what's so important to me, that the integrity of this system has got to be maintained. I really will be looking forward to an audit. I for one will be asking the auditor to do a full audit along the same lines next year to ensure that we see how you're doing in terms of the technology. I think technology is the key.

I'm sure with the LCBO, fines can be collected. I don't think anybody doesn't pay his or her fines, because they don't get their licence plates; they lose their wheels. There's got to be a technique, as Mrs Marland has said, of linking all of this

in with a social insurance number so you can trace these people and make certain that when they come back into the system, if they haven't paid, then you can do what you're doing. I think taking 5% back from them is fair, or maybe even less, depending on their circumstances.

1610

But we can't just forget them, and that's what I get from this report, that in some cases they were just ignored. You've accepted the fact that that's unacceptable, and I'm glad to hear you do, but we've got to see that doesn't happen again. I think the only way to do that is for us to perhaps be a thorn on the horizon for you people, and you're going to be a thorn on the horizon for those people out there in the field to ensure that they carry out this function.

Finally, it strikes me that people should be required to update the information themselves. That would save people going out and having to update it themselves. As much as I've harangued UI this afternoon, you are required under UI to send in a card if you've earned anything and so on. They do spot checks, and every now and then they catch somebody who's cheating the system. I'm not sure that is done in the case of social assistance. As I understand it, what happens is that a worker goes out and updates the information from time to time, usually triggered by a request from the recipient or from one of our offices or whatever. I don't think that system is really all that helpful.

The other thing I would say, and maybe I sound like a right-wing Tory saying this—

The Vice-Chair: If I could interrupt, do you want an answer to that, Mr Callahan?

Mr Callahan: I'll get an answer in a second. I'm sure they will answer it shortly.

The Vice-Chair: We are running out of time for today.

Mr Callahan: How much more time have I got?

The Vice-Chair: I'm going to allocate another two minutes, and then I'm going to turn to Mrs Marland for some concluding questions, and then I think we're going to call it a day.

Mr Callahan: One other thing I would throw out for your assistance, and I've always advocated it, is that if people are required to sign a statement under oath that they are entitled to the benefits they're claiming—some people say that's being a little too strict with people. The importance of an oath or the sanctity of it will mean something to maybe 50% of them; it may not mean anything to the other 50%. But you're going to get people giving you more significant answers, and it might limit the number of people you have to send out to check on them. It also gives you the opportunity that, if these people have sworn the oath improperly, if they've lied, you've got definitive evidence that fraud has taken place.

Finally, and this is really getting right-wing, but I feel so strongly about maintaining the integrity of this system, in the United States, as I recall, they've got what they call almost bounty hunters. If someone in the system believes that somebody's cheating the system and they turn them in, they get a reward. I hate to say that maybe we have reached the stage. That's a little caustic, but maybe we've reached the stage. We do it with Crime Stoppers, we do it with a whole host of things, and I think that's how 90% of Revenue

Canada's investigations take place: You're standing in the yard talking to your neighbour and you're telling your neighbour, "I got away with all sorts of things," and the next thing you know, you're being audited by Revenue Canada. But money is so tight that maybe we have to resort to some of those programs to maintain the integrity of the system.

The Vice-Chair: We're going to move on to the next set of questions. I'm sorry we ran out of time, but we're going to move on to Mrs Marland. She's on the list. We have a few minutes left and we're going to move on.

Mr Hope: I would be interested to hear what the ministry has to say about the posse aspect he's taking about.

The Vice-Chair: I'm sorry. We are running out of time, so I'm going to move on to Mrs Marland's questions.

Mrs Marland: Mr Jackson has one question first.

The Vice-Chair: Okay; Mr Jackson.

Mr Jackson: In the last rotation I was pursuing some concerns I had about the impact of several substantive changes in procedures for your ministry in terms of eligibility. I discussed the lack of a permanent residence, no longer requiring a home visit, and I mentioned the increased eligibilities for student welfare, or "walk-in welfare" as some people call it, or "over-the-counter welfare," as some people have even called it.

You answered, in part, on question 4 in your handout today. Could we address that very briefly? According to your statistics, in the city of Toronto in July 1991 there were 3,167 homeless people collecting GWA. Then you go on to show that in December 1992 the figure was 1,775. You basically indicate that these fluctuations are not significant. Perhaps it's because I chair several food banks in my community and we're constantly monitoring our client load and our shifts in clients, but we see a substantive increase in the number of students, 17-, 18- and 19-year-olds, collecting social assistance and presenting themselves at food banks during the summer months and not in the winter. I see something else in these statistics, but I really wanted to get a clearer window on the number of students or young people who are obtaining welfare more readily. I have a case example I want to share with you which is very disturbing, but it's a growing incidence and I was hoping you would be able to identify some numbers for this committee. These ones are fine, even though you interpret them differently than I do.

Ms Fraser: I wonder if I might be able to respond, Mr Jackson. The material to which you are referring deals with the question you tabled yesterday with respect to the changes of rules around homeless applicants—

Mr Jackson: Absolutely.

Ms Fraser: —and it was in that intent that we provided that information to you. I believe the issue you are addressing at the moment has to do with the eligibility of young people for welfare.

Mr Jackson: If I can interrupt you, when I asked the minister the question around this, both in estimates and on the floor of the Legislature, what we established was that it is sufficient for a 17-year-old student in Ontario not to verify where he was living as much as it was to verify that he was no longer living with his parent. That's a very significant

question to ask a client, because the problem with student welfare is you have students who are saying: "I can't get along with my parents at home. I'm not living at home."

Therefore, there would very clearly be, not the requirement to establish another residence but simply to establish that the residence was no longer acceptable to a student, who is then eligible for welfare. That is what the minister has explained to me in estimates, and I've seen your procedural manuals around this. I know you've answered the one question, but contained in this statistic of homeless people are young people who do not show a residence. Would you not agree with that?

Ms Fraser: I would agree with you that contained in that statistic would be people of all ages eligible for general welfare, so some of them may indeed be of the ages of 16 to 17. That is possible.

1620

Mr Jackson: Yes, and what I was sharing with you is that we're servicing over 2,000 individuals in the community of Burlington on the four food banks that operate under the coalition I chair. We're keeping statistics by age, by mobility and by whether or not they are social assistance clients. We keep extensive statistics. We don't put names associated with them; we protect their privacy. But it's very important to us to be able to talk to our community about who the typical client is.

All I'm saying is that we see a large increase of homeless, young people during the summer months who are collecting welfare of some form and who are presenting themselves at food banks, and then we see that number diminish during the cold winter months. That's what I'm observing as a community worker dealing with a lot of FBA and GWA recipients in my constituency.

I'm seeing this statistic now which, by your own admission, can include, because it's not age-specific—and that's why I was asking you what the impact on student welfare was. Are you keeping statistics by age? Can you break out your client load by age to say, "Here has been an increase by age of these individuals"?

Ms Fraser: The numbers we provided to you, Mr Jackson, were from Metro Toronto, and I can certainly follow up with them to see if we can get that broken down by age. I believe we can, and if that would be helpful, we'll certainly be delighted.

Mr Jackson: Okay. I think that would be more helpful.

Ms Fraser: Certainly.

Mr Jackson: I wanted to share with you that I'm rather disturbed by these kinds of numbers, and I would suspect that what I'm experiencing in my community we're experiencing elsewhere. I'll just share with you briefly the case and then I'll yield to Mrs Marland.

The teachers' federations and school boards have expressed growing concern about the increased practice of students who merely establish that they can no longer get along at home and therefore have to move out and therefore are eligible to attend a high school and collect welfare.

The case that came to my mind in my own community is of a 17-year-old boy who has now moved in with his 18-year-old girlfriend and her family and is not necessarily paying rent to that family, but what is the big joke in the school is

that so-and-so has all this mad money to spend on his girlfriend and they're domiciled together. This is a great embarrassment and frustration to the family who have lost the child living under their roof and it's of great concern to the guidance counsellors who approached me because of the increased number of requests, "How do I get on student welfare?"

When you get a class where there are two or three students on student welfare—and Dr Pascal, you have an extensive background in schools, you know how these things happen—these are matters of concern and I was wondering—there's an example of a change in policy which has improved access—to what extent are we monitoring that?

I know I'm straying into a policy area, but I think this committee would like to know to what extent the impact of those policy sessions have been.

Mr Hope: That's false. Check into it further. It's false. Check into it further.

Mrs Marland: He's saying what you're saying is false.

The Vice-Chair: Order, please.

Mr Jackson: Are you calling the teachers who told me liars?

The Vice-Chair: Order, please.

Mr Hope: If you call these general guidance counsellors and talk about it—

The Vice-Chair: Mr Hope, order, please.

Mr Hope: —you understand that a lot of rumours circulate around schools and half the issues that you just brought forward, labelling students as all welfare recipients, are wrong.

The Vice-Chair: Mr Hope, you do not have the floor.

Interjection.

Mr Hope: It's an access program for people to access welfare.

The Vice-Chair: Mr Jackson, you have the floor and you have two minutes left, and if you'd like a response to that question, two minutes in total left.

Mr Jackson: I am satisfied. He said he'd get some statistics and I want to yield to Margaret.

The Vice-Chair: Mrs Marland, you have two minutes left.

Mrs Marland: I guess I'm going to have to continue at another time, but I will ask one question at this point.

I have received some calls this week from former employees, and that's inevitable, talking about welfare fraud. I guess the reason I keep coming back to this subject is that there is such a major need in legitimate cases, and because of the recession we're in now, we're almost causing an expansion of the need by the fact that through other forms of taxation people are getting into more and more financial difficulty in this province.

While, on the one hand, we have these legitimate needs for welfare assistance, it becomes a revolving circle because we just don't have enough money to support—by your own figures, Dr Pascal, you said, I think, it's a 69% increase over last year in the one category. When you look at those kinds of increases, the government has to get the money from somewhere. If the government is not able to prioritize in terms of human need and starts cutting back other programs to support this program by necessity, then I think there's a responsibility

at the end of this for all of us to do something where some remedial measure can be successful.

I'm happy that you've agreed with our concerns and have said that you're not happy with the situation as it exists. When I get calls from former staffers who have worked with the general welfare assistance clients who say there is fraud, then you know they don't have an axe to grind. They're simply reinforcing what we've been saying.

I am encouraged by your responses to our concern and I must say I'm very impressed. I'm not surprised that you have been given the difficult deputy minister position in what I think has to be the most challenging of any of the government ministries. You've obviously been given that position because you're very capable, and I'm very impressed with the answers to our questions and how you have been dealing with this subject this week.

The Chair: I hate to cut you off, but we—

Mrs Marland: I want to ask this one question very quickly, because it may be something the staff may be able to look into overnight. I know someone who is currently employed with the clients of the GWA, the general welfare assistance, and this person tells me that we have in the system at the moment in the greater Toronto area facts that support—it's very hard to say this, but is it true that we are supporting on welfare in Ontario the spouse and children of a Somali warlord? I'm asking that question because if the rumour is out there, it needs to be killed if it isn't true. I understand that in this building where this particular person—you haven't heard this rumour?

Dr Pascal: Well, other than what we've read in the newspapers—

Mrs Marland: Okay. To be honest, I didn't read it in the newspaper, but if it's been in the newspaper then obviously it's not something that's a hidden secret. But I understand that in this particular building, which I have been invited to tour but have not toured yet, something like 99% of the people are all on some kind of government assistance, whether it's family benefits or general welfare, but also that the garage in this building is full of BMW and Mercedes cars. When you're told something like that, it probably means that there are a few expensive, late-model cars in the garage of this building.

This is the kind of thing that, if it exists and people see it—those are the questions I think you have an opportunity to answer on the record. If it is all rumour, it does need to be stopped. If it is fact, then the public is entitled to an explanation about what is being done. That's the importance of my question today.

Dr Pascal: Just briefly, obviously it's always important for us to do everything we can to separate out impression from reality. Where there are patterns that are disturbing we need to identify and act. The case you referred to, to which I responded with a reference to seeing an article in a newspaper, is in fact under investigation. I don't have the details with respect to where it's at. I couldn't agree more that there are

some symbolic things that take place that are real and that put a cloud over the entire program. We need to ensure that as we pursue problems of breach of integrity, we do so in a way that we don't overreact to allegations that it's spread beyond what it might be.

When we see newspaper articles about someone earning \$52,000 on the supports to employment program—mathematically, it's actually possible, because of the number of children, their ages and how many are in child care; the number would probably have to be about six, seven or eight—symbolically, there's a cloud that's cast over a very important program. So there's always a judgement that elected officials have to bring to bear to decide what kind of intervention is wise in terms of the original intent of a program.

In the case of STEP, as you and others know, the minister and her cabinet responded with an intervention which kept people of certain incomes from moving on to the system. It was not just cost-avoidance of \$60 million, which was part of that. Again, it was also dealing with symbols that called attention to a program whose objectives were certainly not in line with what the BMW implies.

I think it's really important for us not to do anything other than look at patterns of behaviour and incidence, and follow up and be seen to be following up to protect the integrity, as you have said, for those who need equitable access to benefits they deserve. I think that's the important point you've reinforced, which is important for us all to keep in mind.

Mrs Marland: Would you be able to report to us tomorrow on the investigation that's ongoing with the allegation about the Somali warlord?

Dr Pascal: I will do everything I can to give you a sense of where it's at in the process. By definition, an investigation is something that has to take place away from public tables, but I'd be very pleased to let you know what I've learned. I think you and I have the same knowledge base with respect to the case.

The Chair: I saw the same program Mrs Marland was referring to and I was appalled. If there's any truth to that, it certainly is something we should be looking at. To have someone in another part of the world starving innocent people and having thousands of defenceless children who cannot feed and look after themselves die for the sake of dividing up whatever power structure is there, and then having one of his spouses here living off the hard-working taxpayers of this province is probably a little more than most people could take.

Time has expired for today. The committee will resume tomorrow morning at 10 am.

Mr Hope: You should thank your colleagues for chairing.

The Chair: I thank Mr Duignan. I thank Mr Cordiano, the Vice-Chair. Who else helped out today? I thank Mr Callahan. Tomorrow, I'm going to thank Mr Farnan, because I know he's going to want to help.

The committee adjourned at 1634.

CONTENTS

Wednesday 20 January 1993

Annual report, Provincial Auditor, 1992	P-343
Ministry of Community and Social Services	P-343
Dr Charles E. Pascal, deputy minister	
Alison Fraser, acting director, policy development and program design branch	
Andre Iannuzziello, project manager, cost containment implementation	
John Stapleton, acting director, special projects secretariat	
Shirley Hoy, assistant deputy minister, social assistance and employment opportunity	

STANDING COMMITTEE ON PUBLIC ACCOUNTS

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- ***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
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- *Hayes, Pat (Essex-Kent ND)
 - Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
- *O'Connor, Larry (Durham-York ND)
- *Sorbara, Gregory S. (York Centre L)
 - Tilson, David (Dufferin-Peel PC)

*In attendance / présents

Substitutions present / Membres remplaçants présents:

Farnan, Mike (Cambridge ND) for Mr Frankford
Fletcher, Derek (Guelph ND) for Mr Johnson
Hope, Randy R. (Chatham-Kent ND) for Ms Haeck
Jackson, Cameron (Burlington South/-Sud PC) for Mr Tilson
Marland, Margaret (Mississauga South/-Sud PC) for Mr Cousens

Also taking part / Autres participants et participantes:

Amrite, Dinkar P., director, ministry and agency audit branches
Peters, Erik, Provincial Auditor

Clerk / Greffière par intérim: Deller, Deborah

Staff / Personnel:

McLellan, Ray, research officer, Legislative Research Service



Legislative Assembly of Ontario

Second Inter-session, 35th Parliament

Official Report of Debates (Hansard)

Thursday 21 January 1993

Standing committee on public accounts

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Ministry of Community
and Social Services

Chair: Remo Mancini
Clerk: Tannis Manikel

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Comité permanent des comptes publics

Rapport annuel de 1992
du vérificateur provincial :
Ministère des Services
sociaux et communautaires



Président : Remo Mancini
Greffière : Tannis Manikel

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Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 21 January 1993

The committee met at 1010 in room 151.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1992 MINISTRY OF COMMUNITY AND SOCIAL SERVICES

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. We're continuing with our review of the auditor's report as regards the family benefits assistance allowance. I believe this is the last morning for open session.

Mr Cameron Jackson (Burlington South): We're having fun.

The Chair: We're having a lot of fun, I agree, and we're making a lot of progress, with the assistance of the officials from the ministry. My own colleagues have called and said they're going to be a little late. We are unable to wait. I know that other members, by the time they make the first round, may have arrived. Could we start off with Mr Jackson.

Mr Jackson: I believe the ministry staff have been working through the night to be prepared today for all the questions on this side of the room, so I'd like to give them an opportunity to pass those out.

The Chair: Mr Pascal, how be if I leave the floor to you for a while?

Dr Charles Pascal: I'd be delighted. I think Mr Jackson is referring to some written information. This is instalment 2, and we're pleased to table that for members.

The only other request that was made, as I recall, that we can respond to verbally was a request Mr Jackson made in terms of getting an update with respect to the \$300 million. Mr Jackson's reference to "working through the night" is almost accurate in the sense that one of the reasons we don't have a written summary—which would be quite useful, I think, to the committee, and we will be forthcoming with that in due course—is that there was a power shutdown in many of the major buildings that took place early last evening and made completing that difficult.

For the record, as I said in my opening remarks, we have identified \$163 million in the areas of our initiatives, and there are other areas that we hope and are quite comfortable will yield the full \$300 million. We'll provide a kind of aggregate summary of other contributions to the committee or to Mr Jackson, whatever you decide. Sorry we don't have the update, but again, it's a moving target with respect to some of the areas for which we hope to achieve savings, including the front-door screening and the referral to jobs, which is picking up excellent momentum, as are the other initiatives.

We'll provide that, hopefully, later today or some time tomorrow. We'd be pleased to do so.

The Chair: Anything else before we get started? Okay, Mr Jackson, 20 minutes.

Mr Jackson: Perhaps building on Dr Pascal's opening comment, I left you with a question amidst the confusion regarding what you project to be a 4% increase in the expenditures for welfare, both forms of social assistance, for the next fiscal year, beginning April 1. You seemed uncertain or wished to clarify for us whether the \$300 million in savings was included or would form part of, subsequent to that projection—I haven't been through this package. If it's not in there, maybe you could begin by enlightening us on those numbers.

Dr Pascal: Just to reinforce what I said yesterday, the \$6.2-billion year-end projection that we took into this year took into account the projected \$300-million savings. Another way of looking at this is that we originally had a \$6.5-billion projection. We took into account the \$300 million, reducing it to \$6.2 billion, and we're now projecting that at year-end, as we look into the new fiscal year—the second year, we're talking about—the 4% would be on the basis of the 6.2.

Mr Jackson: So 6.2 is your base.

Dr Pascal: That's right.

Mr Jackson: For 1993-94.

Dr Pascal: At this point—

Mr Jackson: And you're projecting a 4% growth only to that.

Dr Pascal: That's right.

Mr Jackson: So if your base is fixed, how many further savings do you anticipate in 1993-94, which is the fiscal year we're about to enter? If you're projecting a 4% increase, how much of a saving are you forecasting for 1993-94?

Dr Pascal: If you're asking me to give you a precise figure of how much of the 4%—

Mr Jackson: What's 4% of \$6.2 billion? Help us here, quickly, even if research can help us. Let's get some real figures on the table. If you can project what your increase is going to be, surely, as managers of the system, having responded to the auditor and to this committee, you have a plan in place for savings and you're not about to tell me that you don't have a handle on what your estimated savings will be in 1993-94. You can't have one figure without having the other, Dr Pascal. That's all I'm saying.

Dr Pascal: Of course you can. We have a \$6.2-billion base right now. The 4% addition will take into account some of the savings that will come from these interventions we've been discussing for the last two days. If you're asking how much of the \$300-million kinds of savings, the kinds of things that go into that, will carry into the next year and will have contributed to the 4%, I don't have that part of the figure.

Mr Jackson: Let me try it another way, because we're not making much progress here. You were able to tell this committee with some assurance that based on the auditor's

report and your reaction to it, you can estimate in 1992-93, which is the budget year we're just completing, that you will achieve about \$300 million in savings. That's your best estimate.

What I'm asking you is, now what is your best estimate? Of all the activities that you've now begun to assist you to be more effective in managing the system, what are your anticipated savings? You're hiring all this additional staff. You've been quoting savings in the new year. I want to know from you what you think your total savings will be as a result of these initiatives.

Dr Pascal: We hope that it will be at least \$300 million in the next fiscal year.

Mr Jackson: If that's the case, let's go back to your staffing. Your initial \$18-million investment netted you how many employees that you've hired currently?

Dr Pascal: We've hired 200.

Mr Jackson: By the end of this fiscal year, which is March 31, you will hire the balance, which is how many?

Dr Pascal: Two hundred and fifty.

Mr Jackson: So you have been able to achieve a \$300-million saving in this fiscal year with 200 additional employees who are now in the system. As of April 1, you're going to pick up another 250 employees, and you're telling me that you're still only going to net out the same savings with double—well, even more—a 120% increase over the staff complement that you were given by Management Board for this year?

Dr Pascal: First of all, I said we hoped to save at least \$300 million in the next year. Second, I think it's important to note that the \$300 million we project for this fiscal year is not made up just of issues around staffing. It involves the \$60-million cost avoidance as a result of staffing. It involves \$45 million of cost avoidance in terms of rate increase deferral. The assumptions change depending on the types of initiatives. You're looking for something precise.

1020

Mr Jackson: I'm not looking for something precise. It's because the two examples you just shared with me have less of a staff impact that this now elevates my concern that as you pick up 250 more staff employees, you're going to have a bigger impact—you have to have a bigger impact—than the \$300 million you've achieved this year with 200 new employees. You're now going to get an additional 250. It's not as though we fired the 200 from 1992-93. You now are up to 450 new employees and yet you're flat-lining your projections for savings. This is confusing to anybody who has done any substantive staffing.

Dr Pascal: Let me repeat and add a few comments. First of all, of the \$300 million, not all of that \$300 million in this year is due to staffing intervention. There are other policy decisions which will yield a cost savings of well over \$100 million.

Secondly, the reason I can't be specific with respect to cost savings in the next fiscal year is—I said that we hoped they will be at least \$300 million, a lot of it due to the staff in place right now, and we're obviously catching up in terms of some of the initiatives, as well as the staff to be added, other

initiatives that are being discussed as part of the estimates process.

At this particular point in time, I don't think we want to overemphasize the meaning of a target. At this particular time, based on assumptions that are in place right now, prior to estimates being completed, we're projecting a 4% increase in expenditure. As the member knows, until estimates have been completed, I can't assure that the 4% will still be in place. It might be higher, it might be lower, and other initiatives may be in place to add to cost avoidance, to add to cost savings in the next fiscal year.

If we're looking for a science in the context of a political process which is incomplete at this point in time, all we can say is that based on current assumptions about the initiatives in place and the initiatives to be added, we hope the target will be reasonable and have some validity.

Mr Jackson: I would hope that too. I think 4% growth in GWA and FBA for 1993-94 is incredibly low. That's my view. I'm shocked that your anticipated savings are flat-lined from year to year, according to your own best guesstimates. You were kind enough to give me a figure, and it is the same figure carrying from year to year, is that not correct? That's what I heard, the \$300 million. You said you anticipated an additional \$300 million.

Dr Pascal: As Hansard will indicate, I said at least \$300 million. Again, because your question, Mr Jackson, focused on the cost avoidance as a result of staffing changes, there are additional changes that have contributed—

Mr Jackson: You don't need to repeat yourself, because as you said, there is Hansard.

Dr Pascal, I wanted to pursue your varied conversations with eligibility review officers and how pumped up and excited they were about their commitment. I wanted to ask you about what they shared with you as to what they perceived as their impediments. These are civil servants who are charged with the responsibility of checking fraud, among other things, validating a claim. Let's not put a value on it, just simply validating a claim, making sure what's on the applicant's request is valid.

As my colleague Mrs Marland yesterday indicated, we have talked to workers and they have expressed their frustration to us. What kind of feedback have you gotten where they're saying, "Jeez, you know, if you'd let us do this, we'd be that much more effective," or, "If you'd let us do that, we could do it so quickly; if we could just pick up the phone and make that one call instead of having to go out in the parking lot and wait for them to drive away and then take down their licence plate number," which is, as you know, essentially how that organized ring in Mississauga was caught, because there are far too many impediments in the conventional investigations.

Could you share with the committee briefly if that's been shared with you? In fairness, you may not know these problems unless they've been brought to your attention.

Dr Pascal: I really appreciate the question and I appreciate the posing of that question yesterday by Mr Jackson, or perhaps the day before. If members look at the answer to question 9 in the material submitted today, I'll just highlight very briefly and then members can read. This again reinforces

the conversations I've had with eligibility review officers in our Toronto area office.

The first impediment is obtaining information. There's a reference in the written material with respect to the Freedom of Information and Protection of Privacy Act and some of the difficulties in terms of obtaining necessary information from sources such as employers, schools and Revenue Canada without written consent from the person who is under investigation. Obviously, that has some really tricky business attached to it.

Point 2, outdated information: EROs obtain records through sources of information such as driver's licence, car registration, etc. In many circumstances, the information is out of date and this hampers the efforts.

The final point for the moment is one I mentioned in response to a discussion we had with Mrs Marland and that's law enforcement delays and the priorities and pressures on the local law enforcement agents. I've been told, Mr Jackson, that in the past and in the present, where there is a dedicated detective working directly with us in a constant and consistent fashion, it really helps. We're working around the province to try to have that kind of liaison.

Mr Jackson: In fact, some of the cuts in the Solicitor General's office, in concert with some very celebrated cases—for example, in my community, the Leslie Mahaffy murder, the Nina de Villiers murder—have had a devastating effect on our police budgets. We don't get the additional support. The acquisition of forensic experts from the US is extremely costly, and we still haven't apprehended the two murderers. As a result, the activities around welfare fraud and others fall to the second level of activity.

We're now up to child sexual assault cases, which we can't keep a handle on in our jurisdiction. I know you share with me quite a concern over the fact that our police, under the current budgeting restraints from the province, are unable to do an effective job in that area. That's because you're in the Comsoc field and you appreciate its impact on children's aid societies and others.

You do say here that negotiations are under way with the federal government and Quebec on an information-sharing agreement. The Quebec government initiated this as part of an overall initiative. Ms Fraser mentioned it as well yesterday. I've had an opportunity to examine that legislation and make some contacts. I'm led to believe this is in direct response to the cap on the Canada assistance plan. It's a pressure to have a system that can react and respond quickly.

The statistics the Quebec government gives us are that as a result of its changing some of the laws in order that it can conduct investigations more effectively—some of the impediments you mention—a 75% recovery rate has resulted. That's set out in two articles that legislative research has shared with committee members.

With the fact that we were aware earlier that the amount of receivables or inappropriate overexpenditures for all reasons could be as high as 10%, we're looking at some \$600 million that is potentially recoverable in any given year in our system. Is your government considering any of these recommendations to improve the ability of a civil servant to go out and do his job more effectively and stop the welfare fraud? I don't want to get into the argument of whether you've made policy

decisions to make it more permissive. Maybe we'll get to that in the next round. I'm simply talking about provinces that have said: "We have to change the rules. The state has to have the tools necessary to do a job to ensure that taxpayers' dollars are protected as it comes to welfare payouts."

Dr Pascal: I think the short answer is that the last two days have afforded us the opportunity to say that we are doing everything we can to explore not just policy—Mr Jackson has distinguished policy from practice—but we're doing everything we can administratively and otherwise to seek recovery in all the subareas for which the Provincial Auditor and his staff expressed concern.

1030

The Quebec example in terms of the bilateral agreement to which we referred yesterday and you've just referred to again, Mr Jackson, I think, is a very good example. They're motivated by the same kind of concerns we have. They're not motivated—just a minor correction—by a cap on CAP, because they're not one of the provinces capped. If we weren't capped as one of the three provinces, I certainly hope and would have expected that we too would be pursuing these types of things because we're talking about integrity, cost avoidance and the kind of reinvestment that can be made in other social services—

Mr Jackson: In fairness, Dr Pascal, I give you a very simple, concrete example: In Quebec, an eligibility review officer can call the local PUC and find out where someone who's moving around—clearly, they're pursuing a case of welfare fraud—went and put their \$40 or \$50 deposit so they could have hydro within a given community. In this province, our eligibility review officers cannot do that.

It's a very simple little thing, but that would save hours and hours and hours. Hiring a detective, at not an inexpensive salary, to sit out in front of a person's house to see where they go and where they are—all we have to do is pick up a telephone. In Quebec they've given the tools to your staff to do that. We're not asking much here.

Interjection.

Mr Jackson: I'm sure Mr Fletcher's comments—he didn't mean to be as flip. We're not talking about communism here, since my learned colleague opposite is quite an expert on the subject matter.

The fact of the matter is, we're simply saying that provinces like Quebec are bringing in these kinds of modifications to give you the tools. You have very rightly identified them for me and I appreciate that; this is what I'd heard in the field from the workers. But when we were able to stop that organized ring of welfare fraud that hit the city of Mississauga, it was because the workers went out into the parking lot and took down the licence plates and they were seeing BMWs from Quebec coming in here. Now, that kind of stuff—we need to give our civil servants the tools to do that job and not simply say that because our police departments are overtaxed in these times we're unable to do it, or that the freedom of information—the Supreme Court has already indicated this is not a problem in terms of being diligent in the process of collecting moneys that are defrauded from other citizens in our society.

Dr Pascal: If I can just respond very briefly, again, it's very important for Ontario to catch other jurisdictions doing things right and to put them in our context. How far we would go with respect to, for example, what Quebec does becomes ultimately a political question with respect to the issue of surveillance and what we wish to do, but it shouldn't be a cause to not explore in a rigorous way what might be useful and might bear any other government's political imperative.

With respect to the police issue, I want to be very clear that I don't mean to use this point as a way of suggesting it's an impediment we can't do anything to overcome. It's not just the priorities of the police and their pressures. We have to recognize that, and in the work we do in preparing cases for a detective in a local constabulary, we have to—

Mr Jackson: You can't lay charges, Dr Pascal. That's very clear.

Dr Pascal: We can't, but we can do a better job in our own backyard preparing the case to meet police standards, so we can meet the detective and his or her load sometimes more than halfway. We have to do a better job with that.

Mr Jackson: How's our time, Mr Chairman?

The Chair: Sixty seconds.

Mr Jackson: Mrs Marland wanted to get something in on the record.

The Chair: I was going to let Mrs Marland start first next time, next round.

Mrs Margaret Marland (Mississauga South): That's fine, thank you.

The Chair: You'll use your 60 seconds?

Mr Jackson: Oh, of course. Thank you, Mr Chairman. Well, Dr Pascal, I would agree with you but the police are also suffering under some frustrations with their own ability to perform in these areas. But we're not talking about surveillance. The police are having to resort to surveillance now and civil servants are having to resort to the forms of surveillance which are unnecessary. That was really my point. That is very time-consuming; it's very offensive.

What is simpler is, the fact that you've moved your residence within a community, the fact that you are paying for your PUC bill—the state should be able to know that. Once we know that, we've established residence. But to have to fight the freedom of information act to establish the residence of somebody who, on the face of it, is living there, is a problem that we've created for ourselves. This is one of the areas where it's created difficulty for you in doing your job.

The Chair: Okay, we have Mr Duignan, Mr Hope, Mr Hayes and Mr White.

Mr Noel Duignan (Halton North): I've got a couple of questions. One of the questions: Mr Jackson said yesterday that the ministry is widening access to social assistance to 16- and 17-year-olds. I wonder, could you tell me what the real eligibility criteria are? Is it really that easy for them to receive welfare?

Ms Alison Fraser: Perhaps, Mr Chair, I could respond to the member's question. The policy with respect to 16- and 17-year-olds I should clarify. With respect to those individuals, we're talking here about employable young people.

We're talking about people who could be in the workforce. With respect to those individuals, if they are living at home and their family is in need, then they may well be a beneficiary of one of their parents' allowance. So they may be on the program that way.

I think, however, we're focusing here on the individual who is no longer at home. With those individuals, if one of those persons applies for general welfare assistance at this point, the individual has to satisfy the welfare administrator—we're talking GWA, so we're talking about the municipality—that there are special circumstances justifying the payment of assistance to that person. The kinds of things we would look at and we would have the administrators look at are circumstances such as abuse in the home. If the individual is not able to go home because of abuse in the home, then that would certainly constitute special circumstances. There are other circumstances where the home environment will no longer provide the basic necessities of life for that young person, for whatever reason, and where the parents are indicating, "We will not have that person home." That would certainly constitute special circumstances.

I think the onus is clearly on the young person—with some corroboration, I might add, from other individuals involved—to ensure that there are special circumstances. What we're trying to strike here—and the welfare administrator, I believe, does a very good job—is a balance between not breaking up families—clearly, where young people are able to stay at home or have a minor dispute over things like curfews and that sort of thing, we don't want welfare paid in those circumstances. On the other hand, we certainly would not want a young person sent home to a violent, abusive situation where that young person could be at risk.

The policy is administered locally so that the local administrator has the opportunity to verify the circumstances and pay that young person where it is appropriate.

I might just take this opportunity to indicate that we had been asked for some statistics with respect to those young people. I apologize to the committee. Unfortunately, the computer run must have been caught up in the power shortage, and I don't have those statistics today. We will have to file them with you at a later date.

Mr Duignan: So it's not true that a 16- or 17-year-old could simply walk into a social service office and get welfare. They would have to meet a certain criterion to do it?

Ms Fraser: They would clearly have to meet certain criteria. They would also have to be either looking for work or attending school, one or the other. I should have mentioned that earlier.

Mr Jackson: So it is true, then, that you can attend school and collect welfare.

The Chair: Order, please.

Mr Jackson: I was trying to clarify the point, Mr Chair. He has indicated it was on my question.

The Chair: If Mr Duignan wants further clarification on his question, then he is the person who has the privilege of asking. If there is something out of order, other members can ask for a point of order. If other members want a point of clarification, then members should ask the member who has the floor if they can ask for a point of clarification.

Mr Jackson: I have a point of clarification.

The Chair: You have to ask Mr Duignan.

Mr Duignan: Out of fairness, a very quick point of clarification.

The Chair: Thank you, Mr Duignan.

Mr Jackson: Concern about the circumstance of abuse is not the sole determinant in terms of whether an individual is eligible while he or she is attending school, which was, I think, how the question was put.

Ms Fraser: I'm sorry, Mr Chair. I understood the question to be, what are the eligibility requirements for 16- and 17-year-old individuals?

Mr Jackson: And abuse is not the sole eligibility criteria.

Ms Fraser: That's quite right.

Mr Jackson: That's what I thought I heard.

1040

Mr Duignan: On another point brought up by Mr Callahan yesterday, Mr Callahan described the use of bounty hunters. I find that term despicable. However, in the United States, they go after social assistance recipients to get back the overpayments. Could you make a comment on that. Do you have any comment to make on that comment?

Dr Pascal: I have at least two colleagues who are quite anxious to make a comment on that.

Mr John Stapleton: I had the good fortune to be able to visit a few American jurisdictions last year. They talked about that particular sort of situation as well as the various ideas of welfare hotlines and that sort of thing. In speaking to officials—at least the ones I spoke to—they came unanimously to the point of view that they found these sorts of interventions to be counterproductive. In over half the instances, in my recollection, they found that the person who would be reported as someone on social assistance wasn't on social assistance in the first instance, whether that be through a hotline or through a bounty hunter sort of thing. In other words, with someone supposedly turning someone in, their immediate finding was that over half the people weren't collecting social assistance in the first instance.

They did quote me a figure that was corroborated on a number of occasions. In each of the calls they would get of somebody being turned in, either through a hotline or through some sort of bounty situation, only one in 11 was a case worth investigating. They found that rate of return to be one that they felt wasn't worth the effort.

Mr Andre Iannuzziello: In fact, that's consistent with the findings we had within Metropolitan Toronto last winter and spring when it set up its hotline.

Mr Duignan: It's one of these American, Reaganite-type mentalities, one of these you're guilty until you're proven innocent, setup-type numbers. You can phone in anything about anybody. Somebody goes out and grabs that person and there are in fact no facts, no nothing to back it up. It's certainly something we don't need in this province, because you could have neighbourhood grudges; you could have anything against that individual.

Just one final question before I turn it over to my colleagues: Yesterday, we were talking about front-door screen-

ing. I understand this particular project has been piloted. Can you tell this committee if it will address any of the concerns raised by the auditor in the report?

Dr Pascal: Front-door screening has had some major impact on eligibility, on some of the issues related to alternative sources of income and of course, importantly, referral to job opportunities and training. It's in all of those areas that we think the progress is significant. Andre, do you want to elaborate?

Mr Iannuzziello: Sure. In the pilot projects and again in the area offices that were given additional staff last summer, we've initiated front-door-screening pilot projects. Over 2,000 clients have participated in those discussions, going through the process of filling out a document which talks about their previous work history and the kinds of things they might want to do in the future in order to be job ready, to move into the job market. Over 2,000 clients have participated in that process in the pilot projects. We're looking at implementing that province-wide probably early in the spring.

Dr Pascal: Also, if I may add, it's really an important part of the Jobs Ontario activity as well, because that project, which we hope will have great return coming on stream at about the same time as we've done this enhanced front-door screening, allows us to work with the brokers in the Jobs Ontario process to ensure that we get as many social assistance recipients in that program as possible.

Mr Duignan: Is the program working fairly effectively and well?

Dr Pascal: The Jobs Ontario or the front-door screening or the combination?

Mr Duignan: The combination.

Dr Pascal: The combination is picking up success stories by the day. Just yesterday, for example, there was an announcement in Peterborough of the creation of 200 jobs with one firm, and 200 jobs filled up with hopefully many of our social assistance recipients through processes such as front-door screening can yield a cost avoidance per annum of \$2.5 million. It depends on what assumptions you make about the recipients and the cheques they are receiving right now. We think it holds great promise. We just have to keep at it and hopefully we'll have success stories by the day, week and month.

Mr Duignan: I think you've a more successful way of getting people off welfare and out into the job markets rather than having bounty hunters going out and looking for people who may or may not exist. Thank you, sir.

Dr Pascal: We certainly want to distinguish between proactivity around labour market participation, reattachment to the mainstream opportunities for work and recovery problems with overpayments. The area of differences of opinions is around what you do in terms of overpayment recovery. How intrusive and how effective are different techniques? I don't want to get into characterizing what others may have adopted as good for that jurisdiction, but there are wide opinions about different interventions.

Mr Randy R. Hope (Chatham-Kent): I'm glad my colleague had the opportunity to ask questions about the 16- and

17-year-olds, because when that comment was made yesterday I was quite outraged. I remember calls from guidance counsellors, from teachers, from parents talking about the increase in students leaving home. I'm glad you had the opportunity to explain in clear detail.

It's not as easy as it sounds. When I checked the database, and I have a good communication base with both my city administration and the county administration, it makes it very clear that it's not as easy as it sounds. Yes, there is talk that goes on in the hallways of schools of how students talk about potentially getting somebody pregnant just for the simple fact of having income and how they do things. This is just hallway talk in high schools. I took it very seriously when I was getting raised by parents that people were just leaving home for the simple fact of going on welfare and moving in with their girlfriends so they didn't have to follow any rules.

When I checked with the county administration, which is the first avenue, GWA, it made it very clear it's not as easy. Yes, it happens every September. It's not just this year it's happened; it happens every September, the end of September and October, this fluctuation of calls and people trying to get social services. But once they enter the front-door screening which you've mentioned, it puts it right to a dead halt. Parents are accepting their children back and it's not that we have a bunch of bad parents out there or that we have a bunch of bad 16- and 17-year-olds.

I just was very outraged when the comment was made. Yes, there are rumours, as there are rumours about everybody cheating on social services. I even know some programs which are talking about having people on welfare go dig ditches, which I'm totally opposed to, even about the job search aspect. But I'm glad you had the opportunity. This is going to be more of a statement because I'm following the Chair's direction. He says, "Wait till your own time to make comments," and that's exactly what I'm going to do.

I'm glad you had the opportunity to review the issue my colleague brought forward about the bounty hunters, because when I hear the words of Mr Callahan yesterday, the first sign I come up with is Renegade, this new television program out there where a guy drives around on a motorcycle going around as a bounty hunter and collecting all these bad people. We're labelling people as bad. I'm glad you had the opportunity. I would only say that if you ever consider the aspect of privatizing the collection process, I think you better take a look at the confrontations between employers and employees with workers' compensation where video cameras are being used.

There is some correction in the system. Again, you made reference to front-door screening. If we can improve the access and the qualification requirements at the beginning, we will eliminate having to dump a whole lot of money on private investigators and people to do the overpayments, if we improve ourselves at the beginning of the street. I guess most of the mentality by other governments was, "Fix the problem at the end of the street, not at the beginning." I'm glad your ministry, under your direction, Dr Pascal, is looking at fixing the problems at the beginning of the street, which is more cost-effective to the people in this province.

Those are the areas I wanted to make sure I got on record, following the direction of the Chair, because I was very

outraged when we're labelling all 16- and 17-year-olds as welfare recipients. I was very hurt by that comment. Yes, the rumour was out there. I did the proper thing by making inquiries and asking about statistics—if there was a great fluctuation, and what the control mechanism was inside—and the county and city administrations in my riding made it very clear that it's something that happens every September and every October. It's called school hall talk, and that's basically all it is. I just wanted to get those comments on to the record. I know there was no question of that, but I do thank the ministry for its positive approach in making sure we correct the problems at the beginning of the street and not at the end like previous governments did.

1050

The Chair: Comments? Mr Hayes and then Mr White.

Mr Pat Hayes (Essex-Kent): Regarding the basic eligibility for benefits for the family benefits allowance, the auditor found the determination of the basic eligibility was satisfactory. But I'd like you to tell the committee about the treatment of assets and property, and what it is in determining if a person is eligible for assistance.

Ms Fraser: An applicant for family benefits will be asked about the person's income and assets, income being regular cash flow—or irregular for that matter—and assets obviously being any valuable items or sums of money the individual may have.

With respect to the treatment of income, there are some kinds of income that simply don't affect eligibility. An example of that, actually up until last month, would have been the family allowance, and now the federal child benefit. That would not affect eligibility at all. There are some kinds of income that are charged at 100%, and support payments would be an example of that. Some are charged at a percentage: earnings and certain other kinds of payment. So it depends on the nature of the income and the amount that the individual shows.

With respect to assets, the provisions of the Family Benefits Act and regulations do permit an individual to have a small amount of assets. The limit will vary by the size of the family and the reason under which the individual is applying. Just off the top of my head, a single person with a disability who applies for social assistance could have up to \$3,000 of liquid assets, liquid assets being either cash or something that's easily convertible into cash. A sole-support parent, depending on family size, could have slightly more than that.

Mr Hayes: So a simple example would be someone who had four or five children, for example. They would be allowed higher assets.

Ms Fraser: Yes. I could calculate the amount. It would be in the vicinity of \$5,000 to \$6,000 worth of assets for that family size.

Mr Hayes: Okay. Thank you very much. I'll leave time for my colleague—

Mrs Marland: Me?

Mr Hayes: —Mr White, right over here.

Mr Drummond White (Durham Centre): I'd like to return, if I could, to the issue of the youngsters who are receiving assistance. In the past, I made determinations about

family viability for the welfare department in my area, in my town, and yesterday, actually, I had a young woman call me whom I've worked with in the past—quite a long ways in the past.

She's now graduating from university with an honours baccalaureate, and she invited me both to her graduation and to her wedding this summer. It was a young woman who had come from some of the kind of situations that you've described, whose situation was not viable, where there was abuse in a number of different ways, and where our system and our support were able to help her become a fully functioning member of our community as opposed to, as many people are in those situations, a burden on our community for the better part of their lives.

The issue here I'm wondering about is, have the regulations changed markedly in the last two years in regard to the 16- and 17-year-olds? I'm not familiar, not having worked in that field for some time, of course—a bit of a job change.

Ms Fraser: With respect to any changes in the last few years, there's been a lot of discussion in this area. However, the actual regulation which puts the onus of proving those special circumstances on the young person as applicant has not changed. We have been looking at the possibility of changing that policy; we've had extensive discussions within the ministry, with municipal delivery sites and also with some advocacy groups on behalf of children to determine if there's some way we can provide better guidance to those who have to make these decisions, but in fact there have been no changes to the regulation in the recent past.

Mr White: Essentially, the same regulations now apply as did a few years ago when I was making that determination—I was doing that as a family counsellor, a family therapist, not as a welfare worker—about the viability of the family and the person's situation, what they needed in order to manage, the supports he or she needed. At that time, it was people who were away from home for reasons beyond their control; in other words, they could not return home, they were not allowed to, or the situation was such that if they did, it would be emotionally, psychologically, whatever, far too damaging for them—not a sustainable environment.

My experience with kids who are runaways or whatever is that the experience they're going to have on the streets in the community will be one of abuse as well. So in my judgement it had to be a pretty severe situation for that kid not to return home, because the alternative wasn't all that great.

Ms Fraser: The kinds of guidance we provide to the welfare administrators would essentially mirror your comments, I think. We are talking about circumstances where either there is no suitable home—that is, the family perhaps left the jurisdiction or has died, which can happen—or, on the other hand, it's not in the best interests of that young person to go home, for the kinds of reasons you've mentioned.

Mr White: I would think making that kind of investment in a young person is probably one of the most important investments we can make with our system. We're talking about young people at a critical juncture, a very, very difficult time. What concerned me when I was working in that field—granted, I was simply making decisions or recommendations—was that here were these young people who had to go

through hoops and barrels that no one else did. Here they were, as youngsters, 16, 17, didn't have a lot of skills, often came from families that were very deprived and depriving and didn't present themselves that well for those reasons, and they had to go through all these extra hoops.

First of all, given their age, they didn't have a whole bunch of friends with lots of money and homes and circumstances who could help them out. They usually left with nothing, with a few bucks, tops, literally pocket money, change. Yet somehow they were expected to manage on their own while they proved to the welfare office that they had no home to return to. So they were often left for a week, 10 days, two weeks before receiving any kind of support. Sure, there were informal community supports. What I'm wondering is, is there any way to deal with that? Here these youngsters are: Yes, it's an important decision to make, but they need support, and they're literally on the streets.

Ms Fraser: Perhaps I could respond to that question as well. The welfare administrator certainly has the authority to issue something called emergency assistance for up to a two-week period in any circumstance where he or she feels it's appropriate. So for a case where the administrator was not yet satisfied about the circumstances of the young person and the possibility of returning home, or the appropriateness of returning home, there is the opportunity to issue that emergency assistance.

Mr White: Is that regularly done?

Ms Fraser: I believe it is.

Mr Jackson: Mr Chairman, just on that point, is it appropriate, as yesterday we asked for statistics—the request was whether the ministry maintained stats on age and if it could break out its stats on how many people under the age of 20 were assuming either of the benefits three years ago, two years ago and one year ago. That would be helpful.

The Chair: That's another request?

Mr Jackson: It was requested yesterday, but I wasn't sure if it was in this package.

Dr Pascal: No, it got caught in the power shortage. Mr Stapleton has just told me it is on its way over some time this morning. Hopefully, it'll be here before—

Mr Jackson: Thank you.

1100

The Chair: You have 20 minutes, Mr Callahan.

Mr Robert V. Callahan (Brampton South): One of the real concerns I have about the issue Mr White has just been talking about is how easy it is for young people to get social assistance. I've heard stories informally in my riding where it's as simple as moving out of the house and going and living in a friend's house and they make application for social assistance and they get it. I've even heard stories of people who come here from other provinces and the first place they hit is the welfare office, and they get it quite easily.

I say this not in any mean-spirited way; I think it should be there for those kids who have to move out of their house because there's a dangerous situation there or what have you. I'm going to be interested in these stats Mr Jackson has asked for, because if we make it that easy for kids to get social assistance, we're doing three things. We're undermining the

family unit, because it means that the young kid says to his parents: "You don't like me coming in after hours" or whatever, "I don't like the rules. I'm moving. I'm leaving." If that's available to them, if that is in fact the situation—it might be worthwhile having some detailed study done of that, if it hasn't already been done by the ministry—then I find that to be a horrendous thing. I can't support that one iota, and I would think the taxpayers couldn't either.

As I said yesterday and have said every day this week, and I think the ministry has quite rightly agreed with it, the important aspect of this entire system is to maintain its integrity. Once it loses its integrity or once the public gets to the point where it says, "Enough's enough," then we haven't got anything for these people. I think you're seeing that now with the overreaction to the unemployment insurance legislation in Ottawa. They're responding to the anger that's out there in the public, that they figure the system's being ripped off, and they're responding in such a way that it's going to create some of the problems I suggested about people not being able to properly leave their jobs, perhaps, if an employer wants to be overly nasty, lest they have no access to any type of social assistance.

For that reason, I think it's important that every step be taken, even including reporting—one of my colleagues in the government took umbrage with the fact that in the United States they have now reached that staggering stage of deficit and debt that they've had to implement these things, such as neighbours reporting access to public funds in a fraudulent way. We've all heard the stories about people who are out mowing the lawn and telling the neighbour, "I'm getting WCB." That does not do anything for supporting a social safety net system in this province or this country. That's why I think it's so important that every step be taken to ensure that that doesn't take place. You now have the manpower, hopefully, to do that, and one would hope that the impact on the moneys that are available will be far less the next time around, when we have the auditor deal with it.

Just going to some of the material you have given us, I find it very interesting that under GWA and FBA in the areas of Durham and Peel there is an extraordinarily high rate in comparison to other areas. When you talk about your employees, your staff, do you include within that framework just the staff who operate out of the central office, or do you include as staff the people who are working in Peel region, let's say? Are they part of that complement of staff?

Ms Fraser: With respect to the staffing numbers, the numbers we've been discussing here, the 200 and the 450 and so forth, relate to provincial staff, so they would not include people who work for Peel region.

Mr Callahan: Who pays for the people who work in Peel region? They're paid for by the regional taxpayer?

Ms Fraser: With respect to the GWA workers, their salaries are actually cost-shared 50-50 between the province and the municipality.

Dr Pascal: We cost-share on administration.

Mr Callahan: As I view it—correct me if I'm wrong—that's the front-line worker, would it not be?

Dr Pascal: It depends on which program. At FBA, our income maintenance officers work out of decentralized offices

and are at the front line in 72 different locations around the province.

Mr Callahan: Would there be any FBA employees in Peel who would be paid by the province, or are they the same people?

Ms Fraser: Peel being one of the eight integrated sites, there are individuals in Peel who do deal with the family benefits case load of sole-support parents. That is the nature of the integration agreement with the region of Peel and those other seven sites.

Mr Callahan: But are those people who deal with the FBA cases in Peel part of this complement of employees who were reported by the auditor and who are being increased?

Ms Fraser: No, they are not.

Mr Callahan: They're not? That is absolutely mind-boggling. If Peel has the figures it has—just FBA, almost 10,000 cases—and it is handling not just GWA but the FBA—do you have any idea of the numbers in Peel?

Dr Pascal: As I said a few days ago, our strategy with respect to the new staff is to ensure that it goes to areas where the ratio of worker to client is in the worst situation, and the GWA ratio averages 1-150. What we've done on our FBA side of the fence provincially is to deal with situations where the case loads are 1-450, in some cases over 500. Strategically, we've decided to ensure that we put the money where we think the yield will be the greatest.

Ms Fraser: I wonder if I could just assist and clarify the comment made by the deputy. With respect to the GWA case load for GA cases, the ministry considers the appropriate ratio for cost-sharing to be in the vicinity of 90-1 or 100-1, in that area. With respect to the FBA cases managed by municipalities which have integration agreements, such as Peel, the ratio is 150-1, it's guaranteed under that contract, and it is paid for 100% by provincial dollars.

Mr Callahan: I'm not sure I understand. You're saying that in Peel, with the integrated relationship, the region can hire and they're paid for 100% by the province?

Ms Fraser: Up to the ratio in the contract, which I believe in Peel is 150-1; that's correct.

Mr Callahan: So once a case worker has more than 150 cases, then it's paid for by the province. Is that what you're saying?

Ms Fraser: The math would actually be to take that case load shown there, the 9,700 for FBA, divide by 150, and one would arrive at the appropriate number of workers which could be funded by the province.

Mr Callahan: Who could be hired and would be funded 100% by the province.

Ms Fraser: That's correct.

Mr Callahan: And they're not included anywhere in these numbers we've been talking about in the auditor's report?

Ms Fraser: No. As the deputy was indicating a few minutes ago, much of the point of the auditor's review was saying that given the case loads at the time of that review, which were high, around the 400-1 ratio, if memory serves, there were many deficiencies in administration. But the auditor did

not in fact review the integrated sites. The audit was confined to certain delivery sites which were managed by this ministry.

1110

Mr Callahan: So the people the region is allowed is acquire with 100% funding over the ratio of 150-1 are not part of the—let me call it the Queen's Park complement, for want of a better word. I know they're not all at Queen's Park.

Mr Iannuzziello: That's right. They're not provincially classified employees.

Mr Callahan: Is the region able to spend that money in any other way, or is it a conditional grant?

Ms Fraser: It is paid subject to an integration agreement which has fairly specific requirements around the spending of the money in relation to the administration of the family benefits case load, so I think the answer's no.

Mr Callahan: Okay. These people would be the same people who deal with the GWA case load?

Ms Fraser: That would actually vary from municipal site to municipal site. In certain sites they actually have different individuals who deal with the two different case loads. In others, they have the same individuals who will carry a case straight through. It's a matter of managerial decision-making at the local level.

Mr Callahan: But I presume there is no magic figure at which they get extra help for the GWA, or do they get 80% of that if they lose a certain—

Ms Fraser: In most, if not all eight, of those integrated site agreements, it's my recollection that there is also a formula with respect to the GWA case load.

Mr Callahan: To the tune of what, 80%?

Ms Fraser: No, excuse me. The case load formula would be in the area of 90-1 and the ministry would be agreeing to cost-share 50% of those salaries.

Mr Callahan: After it gets over the 90-1 ratio?

Ms Fraser: That's correct.

Dr Pascal: Even though the current actual ratio is 1-150, so the cost of administration is relatively favourable in terms of the formula.

The Chair: The auditor has a point he'd like to make that could possibly help you.

Mr Erik Peters: It's just to ask the witnesses a question that may help clarify the point, if I may. In the documentation we have been given today, you indicate that the agreement sets out client-worker ratios of 150-1 for the FBA, and then on the next page you refer to the fact that there's an optimum ratio for FBA of 250-1. With regard to the answers we have just heard, it might be helpful to the questions that were just raised as to how you relate the optimum ratio to these agreement ratios you're setting out and how that affects the payments that are made by the municipalities compared to the payments for which the province is responsible. Does it enter the equation?

You just indicated that you take the case loads divided by the 150, which is the agreement rate, which would result in a much higher number of case workers than if you divided it by the 250. I'm wondering if this might help the line of questioning Mr Callahan has just pursued in explaining how the optimum

ratio relates to the negotiated ratio of 150. Is that an unclear question?

Ms Fraser: My apologies, but I don't understand the nature of the question. I understand the different ratios clearly, but then—

Mr Peters: They are set out in your document. Under question 2, you indicate, "The agreements also set out client-to-worker ratios, most of which are 150-1 for FBA." In the fourth bullet on the next page, you indicate, "The optimum ratio for FBA is 250-1." My question is how you relate the two in negotiating a new agreement for a ratio of 150-1 when you have, on the other hand, the optimum ratio of 250-1, which is very close to our audit report, which talked about a target ratio of 275-1?

Ms Fraser: My apologies. I now understand the line of questioning. I think it's important to understand that the integration agreements, with the exception of Durham, were all negotiated in the early 1980s, and at that time, I think we might have had a somewhat different view on what the optimum ratio was for the FBA case load in its entirety. Had we been here 10 years ago, we might have suggested to you that the optimum ratio was considerably lower than that 250-1 or the 275 number we're using now. The 150-1 ratio was negotiated first with municipalities approximately 10 years ago, the first agreement.

The second issue around it is that the question was asked earlier whether the same worker would be dealing with a GA case as that case perhaps comes on to FBA. That was the original intention. In those circumstances, the GA case load tends to be much more highly fluctuating in terms of income needs, also in terms of emergency needs. That is, these cases we're talking about are sole-support parents, and when they first hit GWA they tend to be just following the family breakdown, and there are a number of needs that are greater than financial, as well as a high variability in circumstances: The family may move and so forth and so on. So there is a higher need of involvement, and that's why the GWA ratio—the concept is 90-1 to 100-1—is about right in the GWA case load. The 150 was an attempt to balance between the very high needs of GA case load at 90-1 or 100-1 and the somewhat lesser needs of an FBA case load at—I'm sorry, I don't have the historical ratio, but I believe it's less than 250-1.

Mr Stapleton: Just to add to Ms Fraser's remarks, there's also the issue that the integration projects only took into account delivery to single parents; in fact, what we call the integration project did not include the entire range of the family benefits case load, which also includes disabled persons and near-aged persons. As I recall the negotiations at the time, the 150 had to do with the actual higher activity that would occur in single-parent case loads due to pursuit of support issues and due to the higher incidence of single parents who have earnings and therefore could have monthly fluctuations.

It was also understood at the time that persons with disabilities, especially chronic disabilities, and other persons who were near-aged persons would have a lower level of case load activity, therefore not requiring the more intensive case work that was believed at that time. That also is a key explanation point for the 150. So the 275 figure would still hold,

looking at the case load overall, but there's a more intense activity for the single parent.

Mr Iannuzziello: To add to what John is saying, to be specific, for example, on the requirement for home visits, I believe that in the contractual arrangements we have with the regional municipalities, a home visit must be done for sole-support parents within a six-month time frame. There are a number of items listed in there that quite clearly set expectations for municipalities that are in integrated sites in comparison to the provincial FBA officers who are administering the program, so that's why the difference in ratios.

Could I add one other comment to Mr Callahan's questions about the integrated site in Peel? References were made to the current staffing that has been provided. I believe some assistance in staffing has been provided for the parental support program area in the region of Peel out of this staffing.

Mr Callahan: Mr Cordiano would like to ask—

The Chair: There are five minutes of Mr Callahan's time remaining.

Mr Joseph Cordiano (Lawrence): I just want to look at the records with respect to case loads. This was provided yesterday, I believe. When I look at that, I'm trying to understand what happened in terms of trends.

When you look at case loads for the period 1982-83, roughly in that time frame, total case loads for the province for both FBA and GWA were in approximately the 250,000 range. If you look at the period from January 1992 on, for all of 1992, we start to get a case load of approximately 600,000. That's almost two and a half times the number of cases, approaching three times as many.

The reason I'm looking at those two time frames is that 1982-83 was the last recession; I know there are factors that go into explaining some of those numbers. But what I was trying to get at the other day was that the total case load obviously has gone up threefold, and I was asking about the number of case workers. We were told that you were at around 600, prior to the addition of 200 that were set to go this year; I think you still don't have a full complement. But I wanted to get a ratio.

I'm seeing here that you have figures for ratios with respect to what the optimum levels are, but I do not see ratios with respect to what it was in 1982-83 with that case load, the number of case workers you had, and what you're at today. Are you with the same kind of case loads, or have they increased per worker?

1120

Mr Iannuzziello: I'll go back and doublecheck this, but I believe that back in the early 1980s the average was in the neighbourhood of 250 or 260, and then over the decade there were regular increases over the years. One of the comments we made over the past couple of days was how we have to do business differently so we can come to grips with managing the programs and dealing with all the issues we've talked about over the past couple of days. For example, in answer to your question about the current case load average, we are now at 323 cases per worker, even with the additional staffing that's been provided. That means we have to continue to do business differently, more efficiently, in order to meet with the demands that are in the program.

Mr Cordiano: Compared to what your staffing levels were at in 1982-83, can we compare those numbers to see if you're at similar levels or you require more workers?

Dr Pascal: We can. As Andre has just pointed out, we think the early 1980s ratio was better than what it is right now, but we can't hold constant the ways of doing business. We can't say that because in the early 1980s the ratio was 1-260 that means—as a deputy minister, of course I can always envision ways of using new staff, on the one hand; on the other hand, we have a corporate commitment to being fiscally more responsible.

Mr Cordiano: I understand that. The point of my question, which I've come to in a roundabout way—

The Chair: You've got another two minutes.

Mr Cordiano: Just one last part of this question. The point of my question is that it is my view, and I've certainly heard this from a number of people, that what's taking place here is that each case worker has a greater difficulty dealing with each case than he did 10 years ago or even more recently than that.

Obviously, we're looking at a situation with respect to each case worker that requires that case worker to do different things, which is what I think you're saying. I'm trying to get at the bottom of what those different things are that necessitate a greater length of time for each case. That's really the crux of the whole thing.

Is it because we're being less efficient? I don't believe that. I think people do their work diligently, given the right direction, and try to do as thorough a job as they can. What other factors are impinging on the productivity rates?

Dr Pascal: I very much appreciate the opportunity to readdress the question. First of all, our income maintenance officers in our system have been working in heroic ways in the last several years. The case load increases have been almost exponential, as you've pointed out, and other workers, such as eligibility review officers, parental support workers, all of them, have had to go to the front door to assist large numbers of people in need to get them on to a program to which they are legally entitled. The inefficiencies and problems of system integrity that the Provincial Auditor have noticed are as a result of that extraordinary load, and I've talked personally of the number of IMOs who have had case loads of over 500. All of our efforts here are to try to ensure that the case load ratios improve, and we've shown the consequences of that. But what Mr Iannuzziello and I are trying to say is that in addition to improving the ratios, we have to use technology, systems and better approaches to accountability and interventions to—

Mr Cordiano: I understand that, but—

The Chair: Time has expired. Thank you, Mr Cordiano; we've got to keep an eye on the clock. We're into our second round: 10 minutes for the second round. Mrs Marland.

Mrs Marland: Dr Pascal, do you have a response to my question from yesterday about the possibility that our welfare assistance program is supporting a wife and family of a Somali warlord? I understand, as I asked the question, that a television program actually highlighted this information.

Dr Pascal: Yes, it was a CBC program, I believe, in December just before Christmas. I have looked into the situation in terms of where it is at right now, and I can't comment on the details. It's under review by the federal government, Immigration, and we are aggressively reviewing the case from the point of view of eligibility and issues around the migration of the client in and out of the country. It certainly raises, symbolically and practically, a whole bunch of issues around the system, but I can't get into the details of the investigation; it's simply under investigation.

Mrs Marland: But do you acknowledge that the client exists?

Dr Pascal: The client does exist. The CBC got it right. The allegations are around a person who is real. I won't say the allegations were necessarily all real, but there is an individual who bears resemblance to what you've described.

Mrs Marland: I can understand that if it's under investigation, you can't comment further. But I'm encouraged to know it's being investigated, needless to say.

The Chair: Mrs Marland, if you don't mind, I'd like a short supplementary. As you recall, I had some concerns about this.

Mrs Marland: If it isn't off my time, that's fine.

The Chair: I'm going to add to your time. I mentioned yesterday at the close of the hearings that I had seen the program and was quite concerned about some of the comments made by Mrs Marland, quite concerned about the allegations. It's particularly gory when we all know and are aware of the situation of thousands of innocent children starving in Somalia due to the internal strife over who's going to be in charge of the political system. It's particularly annoying to have the family of one of these leaders in this strife safely tucked away in Ontario, living off the hardworking taxpayers of this province.

I'd like to know from you, sir, when might we be able to get a clear public statement from the ministry, and how wide-ranging can that public statement be? I think people want as much information about this as possible, not so much to know all the details but to know that our system has the integrity to prevent these things from happening.

Dr Pascal: I don't think it will be that much further in the future. I want to distinguish between our role and what the federal government investigation is about. Their investigation will be about who receives landed immigrancy under what conditions and what kind of information presented. Our job is to determine eligibility, and as we do that, we often have challenges with respect to adjudicating assets with a client who may have support from other jurisdictions that we can't validate or verify. This is part of the challenge of our job. We've explored some of those challenges of eligibility identification review and overpayment recovery.

I would hope that not too far in the distant future, Mr Chair, we will be able to provide a public response. I'm sure that members would probably be interested in that and probably the government would as well, prior to the Legislature resuming its activities.

1130

Mrs Marland: There is a comment I wanted to make through the Chair to the government members. I have noticed this week a number of references every day to the fact that there was irresponsible spending in the 1980s by governments, and in fairness, I feel I can't let the week be completed without reminding, particularly my friend Mr Hope, that during a large portion of the 1980s, at least half, his party, the NDP, was in a wonderful in-bed coalition or accord with the then Liberal government. So if there was irresponsible spending, you certainly were a contributor to it.

The other thing I wanted to say is that I'm really impressed, Dr Pascal, with the way your staff has returned with these answers to questions. They're very well laid out, and the answers we received yesterday and again today are very helpful to the whole process.

Based on one of those answers, we heard this morning another question from one of the government members about the eligibility of young people, being able to seek and obtain assistance for a number of circumstances. I think some of the circumstances were abuse and lack of provision of their needs in the home.

While none of us would disagree with those as being valid reasons for their assistance to be elsewhere outside of the home, it comes back to the question of how this is established, and I want to take you to the answer to question 8. In the background it talks about the removal of the requirement for home visits to family benefits applicants and recipients. In March 1991, apparently "the advisory group recommended that the requirement for home visits be removed and that home visits should only be made at the request of the recipient."

In the next paragraph it talks about when this became effective: "The regulation was amended to replace the requirement for home visits by personal contact with clients, unless designated by the director as part of a random sample for monitoring purposes, to ensure that social assistance is not abused or for the assessment of home repairs." I thought, "This answer gets more and more interesting."

"The client's preference determines the location for completing regular reports, such as the annual client update information report, which require personal contact."

Then, under your answer on "Impact," the final paragraph says, "This re-emphasizes the positive impact on the system of work that is being done by additional staff to ensure that clients are receiving their correct entitlements."

Well, I'm sorry. It's very difficult for me and people who have talked to me about this since this change in policy. How can you establish a correct entitlement, under any circumstances, how can you understand whether or not a 17- or 18-year-old is experiencing lack of provision of his needs in his home unless there is a home visit? To me, it sounds ludicrous. I'm sure there's a tremendous saving in time for our workers if they don't have to go out and visit homes, but I'm sorry, I just don't accept that at least an initial home visit to establish—maybe not ongoing, and maybe only random after an initial visit.

My goodness, if you're a senior and you're trying to get into a non-profit home in terms of affordable housing, I can assure you that the organizations I'm familiar with have to do

a home visit. Where is the difference between welfare assistance and housing, as an example?

Dr Pascal: Let me begin by saying that in the business of trying to provide answers to good questions for very busy members of the provincial Legislature, we always ask staff to produce a one-pager on that question so that you're not inundated. As I look at this particular answer, we could have added three or four paragraphs. I'll try to do that very quickly.

If we were to hold constant yesterday's way of doing business, with the load we have, even with the reductions, I agree entirely that we can't do that way of business. How can we not only maintain but improve, because the system needs improvement of integrity, by doing business somewhat differently? When we say that the home visit, as a regular way of doing business, needs to change, we're talking about ensuring that we spend less of the traditional technique with people whose conditions are not likely to change and use different techniques where there is likely to be more variability. There's mutual responsibility here. You've inferred, I think appropriately, that this looks like all the responsibility is on the part of the recipient.

Mrs Marland: It says, "The recipient chooses the location."

Dr Pascal: That's right, but we also talk about auditing, about random assurance to ensure the integrity of the program, and we're also going to implement what we're calling monthly reporting to ensure that we have far more timely information with respect to our answers. There are different methodologies we feel we can use to achieve the changes to the system and improvements in integrity that you so correctly expect.

The Chair: Thank you, Mrs Marland. Your colleague Mr Jackson has informed me that—

Mrs Marland: I just want to say that the monthly reporting still isn't requiring a home visit. I could come into your office and just con you completely, should I choose, about what my conditions are in my life, in my home. When we get to second and third generations, sometimes, still on social assistance in one form or another, it's very serious that we're not getting into the homes and establishing what the real needs and the real eligibility are. Frankly, I'm one of those who believes in a hand up rather than a handout. Unless you can truly evaluate what the situation is in their lives and in their homes, we don't know if just throwing more money is really the best form of help to those people in need.

The Chair: Three minutes, Mr Jackson.

Mr Jackson: I wanted to revisit much of the earlier dialogue on the 16- and 17-year-old youths, not the children. Recommendation 33 in the SARC recommendations clearly sets out—I recall my comments from yesterday—that eligible persons aged 16 and 17 who are in need and living outside the family home should be eligible for assistance unless there are special circumstances that indicate they should not be eligible. Previously, you had to establish that there were these special circumstances, which Mr White clearly put on the record.

I have a response to the income maintenance department's memo to Halton region. My region has expressed concern that this change in putting the onus on the field worker to prove

there is a breakdown is a substantive change, not in the policy but in the procedure. Its net effect has caused an increase, and that was all I stated. I didn't wish to state that it was absolutely more permissive.

I have, for the benefit of the members, memos from the ministry which first indicated that this was a targeted implementation change. That was communicated to the regions through income maintenance. I have a document from the income maintenance branch, where I asked the ministry for all the Back on Track action items. On page 9 of the memo from Ms Fraser's department, which I read earlier, it says that the program on an annualized basis would cause about a \$1.2-million increase and in that implementation year it would be just \$0.3 million. That was the kind of information that was shared with regions and with members of the Legislature.

1140

All I'm getting at here is that we're understaffed as it is. So these kinds of policy changes, whether they're in practice, whether they're guidelines, whether there's confusion out there as to whether that's what it is, that's what the field offices think is occurring and that's what's been confirmed.

We now get to the point. When you have a case where it's sufficient to simply say, "I'm afraid my dad's going to hit me, that's why I left home," that individual now becomes completely eligible by verbalizing that statement. I remind you, we're talking about 16- and 17-year-old adults in society. These are deemed by the law, and therefore you can't ask the children's aid society to look as to whether there's been an assault. This is a civil matter, so they phone the school maybe. The guidance counsellor says: "How would I know if the person's having difficulty? All I know is he has left home."

I'm putting a fine point on it, but there's sufficient evidence in the documentation that's been shared with me as the critic for Comsoc, which would indicate that we've seen a shift in the statistics. I just want to put that on the record. I've shared it with my colleague Mr Duignan, because it's in his region of Halton as well where these concerns were expressed to us about the increased procedural perception and therefore you're seeing increases in those numbers. That's all I wanted to put on the record, Mr Chairman, and I appreciate having had the opportunity.

Ms Fraser: I wonder if we might have an opportunity to clarify the facts on this matter, Mr Chair.

Mr White: I was just going to ask a question on the same point. Perhaps after I have done so—

Mrs Marland: I think we should let Ms Fraser speak.

The Chair: We're in a difficult position because the allocated time per caucus has expired.

Mr Hope: Let him go ahead.

The Chair: Okay, thank you. Please carry on.

Mr White: My question was very simply following Mr Jackson's point.

Mrs Marland: Excuse me. On a point of order, Mr Chairman: The point of order that I'm making is one which the government members make constantly, and that is to

allow the deputation to speak and answer questions. That's simply what I was requesting for Ms Fraser.

Mr Hope: Which she will exactly do once I get a preamble in and then give Ms Fraser the opportunity. I will do so—

Mr White: I'm attempting to go further on Mr Jackson's point. Mr Jackson brought up a regional or local interpretation of the legislation. I understand, however, from our earlier discussion that the legislation and the interpretation at the provincial level have not changed and the onus is still upon the individual. At least this is how we as a province are determining it. The onus is still upon the individual as far as we're concerned to prove that he cannot remain at home or that he is away from home for reasons beyond his control.

Ms Fraser: Yes, in fact that is the case. This is one of those situations where it's tempting to say you are both right. The reality is that, as Mr Jackson has pointed out, there was an announcement that this policy would be changed, and that was communicated to municipal delivery agents. I agree with him wholeheartedly.

However, Mr White is also correct in that the policy has not been changed. The communication that went to delivery sites would have said, "Directives or further details on how it will change will follow in due course." That communication has not yet been sent because we have not yet resolved the matter. So there is no change.

Mr White: Further on that, certainly I know that in my area in Durham region those decisions are made with a great deal of care. I know that in other areas of the province there are additional supports offered to the welfare department in making those determinations for those families at very crucial, very difficult junctures in their lives. I'm wondering if the use of professional determinations, such as in Durham or Waterloo, has been researched at all by the ministry.

Ms Fraser: We are actually in process of discussing with our municipal partners how best to deal with this policy issue, and in the course of those discussions we have learned how different municipalities tackle this. I am aware that different municipalities have different ways and in fact seek assistance from various other agencies in making the determination.

Mr White: Thank you.

Ms Fraser: We are actually in the process of discussing with our municipal partners how best to deal with this policy issue, and in the course of those discussions we've learned how different municipalities tackle this. I am aware that different municipalities have different ways and in fact seek assistance from various other agencies in making the determination.

Mr White: Thank you. I just want to add a little bit in terms of this issue, because we had just reviewed how difficult it is for these youngsters. They have to have two criteria: Not only do they have to be in need but they also have to prove a family breakdown. Yet immediately after that exploration I heard from a member opposite saying somehow that it's extremely easy for these youngsters.

Certainly that's the image we have in the media, and I'm sure that's no doubt because these are difficult times for families. When parents and youngsters are in conflict—some people hear about it in the press or from the town councillors etc—they hear of course only one side of the story. But I think it's safe

to say that this is probably a very small portion of our welfare expenditure. Do we have any stats on that issue?

Ms Fraser: I had hoped to have precise numbers for the committee this morning and, as I indicated earlier, unfortunately the power outage made that impossible to provide. I'm sorry, I don't have them in my head but I can assure this committee that the percentage of expenditures on individuals, 16- and 17-year olds, is very low.

Mr White: One other small item is in following up on the issue of the home visits. To determine whether someone is out of work, I don't think that really requires a home visit to be made. That certainly isn't on the basis of the UI officers. But I'm wondering about the cost. I would think that the cost of an eligibility officer going to someone's home, driving back and forth, his or her mileage expenses and the time it takes to get there as opposed to an office interview would probably be extremely high.

As was mentioned, home visits will still be used as a checkup or on a random basis. I'm wondering if we have any estimates about the cost of using this particular methodology, that is, a home visit relative to its effectiveness. Do we have any kind of exploration of that or any research? I would imagine it's very expensive.

Ms Fraser: I'm not aware of specific data regarding the cost of those visits. But I think it is important to clarify one matter, and that is that there has never been any direction to stop client contact. For an individual to apply for social assistance, there must be face-to-face contact with a worker, there must be a face-to-face review of that individual's circumstances, income, assets and matters of employability and so forth. That face-to-face contact must occur on a regular basis, the regularity of which is determined by the individual's circumstances.

There will be ongoing face-to-face contact. It's clearly both more efficient and probably more beneficial to have a conversation with a client in a location that is convenient and appropriate in that client's mind. Interestingly, I might add that we are finding that a number of clients prefer to do business at home. In those circumstances, the workers would go and see the client. What this does is to permit that contact to take place at the appropriate location depending on the circumstances.

The Chair: We'll go on to Mr Hope.

Mr White: I'm certainly finished.

The Chair: Unless you want to use up Mr Hope's time.

Mr Hope: I know you could probably elaborate on it further but, as the purpose of this week is to do a review of the public auditor's report, I would just like to go through some of the notes I have before me to give me a synopsis as we look this afternoon at making recommendations to the auditor and how to really pursue possibilities that are there to do a follow-up or a checkup to show public accountability.

You brought up the issue of staffing. You currently have in place—correct me if I'm wrong—200 staff who are being well trained in the area of dealing with a certain number of elements or job descriptions in there. They're being monitored in the aspect of dealing with the auditor's report. They're being focused in certain areas to assist clients and to prevent concerns, and I'll address those.

1150

First of all, the staffing: You will be allocating some dealing with the avenues of other rightful benefits that are theirs. With CPP, for instance, you're designating people in there to help clients to get what is rightfully theirs, their CPP and other benefits that might be out in the spectrum. You're training staff in that area. You're also working, I understand, with the federal government on making sure that there's a control mechanism in place to stop overpayments.

The other area I believe you're working in, and I'm just doing a synopsis dealing with the auditor's report, is dealing with the prevention of fraud and the detection of fraud, so you're training staff to do better front-door screening of clients coming in, making sure that there's appropriate information to stop the potential abuse that is out there and making sure that we are meeting the needs, because the development of this program was to help people.

What we're doing is to help those who need help and to eliminate potential overexpenditures for the province in controlling the system more appropriately, and also to help clients better understand, because I guess the main issue with social service is to help people through a period of time to re-employ back in the labour market. I guess that's the issue you try to do, turn people around.

When you're dealing with overpayment, I understood through the days that you've been here, you have now put in place and are trying to get throughout the province direct deposit, which will help in the saving of I believe you mentioned \$1.5 million on duplication of cheques that you have to write.

You're looking at the maintenance and child support issue of making sure those single parents, whether they be male or female, are accessing the proper benefits that are allocated to them by other provincial or federal programs. You're looking at making sure that your staff are well trained in making sure the eligibility of requiring social services or family benefits, because we're dealing with a provincial program, is intact and that the staff are well trained to deal with the human element aspect of it, not just how to crunch dollars and cents but to deal with people and to deal with the real picture that is before people.

I believe I have a couple of minutes left. Out of the general synopsis of what I've collected over these few days of questioning and the information you've provided for us, is there anything else that I might have missed that is very important for the general public to know and also for myself as a committee member to know so I can make important recommendations to the Provincial Auditor?

Dr Pascal: Your synopsis is very thorough and I appreciate your reinforcing our efforts. I think the one area we probably haven't spent much time dealing with is in the area of a whole bunch of other things I would just simply cluster together as improving our administrative efficiencies, both at the local level and, quite frankly, organizationally within the ministry.

There was a request from this committee to describe the manner in which administratively and structurally we deal with this area. Mr Jackson was posing questions either yesterday or the day before that dealt with accountability at the senior level, and there are initiatives in that area in terms of the relationship between program policy and program devel-

opment and delivery, which in my ministry require tightening up and better accountability. I won't go into all the details of those initiatives, but they're important as well.

Mr Hope: If I may, in conclusion, I would just like to say thank you for taking the time to be here before us to inform the public and myself about the process.

The Chair: Mr Cordiano, 10 minutes.

Mr Cordiano: Very briefly, the problem is that there are a lot of questions I wanted to ask about this Back on Track initiative. When did that come into being?

Mr Stapleton: The Back on Track report came out in March 1991.

Mr Cordiano: And what have you implemented with respect to that?

Dr Pascal: We have tabled today with the clerk what I thought was a fairly complete scorecard with respect to both SARC and Back on Track.

Mr Cordiano: Perhaps I should just clarify. The reason I asked that is because I can't discern from the document that was provided what was—I think it noted that what was in bold or darkened letters was what was implemented, and I can't tell the difference on this document. Perhaps you can help me out in that regard. I find it difficult.

Mr Stapleton: I'm not looking from the document right now, but it's my recall that we have either implemented or are in the process of implementing, either in part or in whole, about three quarters of the recommendations that are in Back on Track. I think that would be a rough, busman's tally of it.

Mr Cordiano: Can I ask this, then. In general terms, would you be able to do a cost accounting for us of what projections are for increased costs or, if that isn't the case, what efficiencies are gained? I think, though, that some of these initiatives require additional expenditures, so was there an effort made to cost out what these additional initiatives would in fact cost, a projection over time? I know that when SARC came out, we made an estimate of what it would cost to implement SARC in full, and it was done in stages.

Mr Stapleton: The original estimation of the Social Assistance Review Committee at the time that it came out was \$450 million. That was, I believe, both in the SARC report and in the government figures. In the case of the Back on Track report, the figure was the approximately \$200 million that was announced for the cost of the Back On Track items.

Mr Cordiano: That's \$200 million in each fiscal year, or to get the entire program—

Mr Stapleton: Yes, and in fact, the other comment I was going to make was that with case load increases and the subsequent workload to that, you saw also a cost escalation that roughly approximated the case load increases since that happened. So you're probably looking at the high \$200-million mark—closer to \$300 million, but under \$300 million.

Mr Cordiano: So close to \$300 million for Back on Track in this fiscal year, 1992-93. Is that what you're projecting?

Mr Stapleton: Let me see, now. First 1991-92, when it was announced, so 1992-93—yes, it would be in that range.

Mr Cordiano: You're on target for \$300 million for 1992-93.

Mr Stapleton: Somewhat less than that, but in that range.

Dr Pascal: It's a very difficult challenge to provide a precision to that question because of the interactive effect of the benefit increases and other increases of Back on Track, as well as the case load increases.

Mr Cordiano: I understand that, but we do have to have an idea of what additional measures are costing.

Dr Pascal: That's right, and the \$200-million range, when the government went into implementing the Back on Track recommendations, was the projection.

Mr Cordiano: So that's your best estimate.

Dr Pascal: Yes.

Mr Cordiano: Okay, thank you.

The Chair: Any further questions, Mr Cordiano?

Mr Cordiano: Do I have additional time?

The Chair: Yes, you do.

Mr Cordiano: I thought there was 10 minutes left for the entire delegation. I will continue to ask questions with respect to SARC and the stages. We have gone through the Transitions phase, with most of the recommendations having been implemented. Correct?

Mr Stapleton: There were five stages at the last chapter of the report of the Social Assistance Review Committee. Stage one was the immediate changes that were announced in May 1989. The second stage was the move to new social assistance legislation, which we're in the process of putting together, and the third was the actual implementation of new social assistance legislation, the committee taking into account the realization that it takes some years to actually implement the full scale of legislation.

Mr Cordiano: I understand that, but you have, with respect to the first phase or the initial phases—we've just about implemented most of the recommendations contained in that Transitions report, that Transitions stage.

Mr Stapleton: That's true, and with necessary modifications in some cases. For example, the Social Assistance Review Committee did recommend certain changes in treatment of earnings, and that was subsequently implemented in the form of the STEP program, for example.

1200

Mr Cordiano: Because then you have a listing under appendix 1 of what changes were in fact implemented. Again, I have to say that I'm having difficulty trying to discern which of these have been implemented. It starts in my copy on chapter 4, the benefit structure. Again, it indicates that what is darkened has been in fact implemented, but I can't discern that from this document. That's why I'm asking—

Mr Stapleton: I see. The actually photocopying of the document, where it's supposed to be darkened out, is not clear enough. It certainly isn't on mine.

Mr Cordiano: It's not, no. That's why I'm having difficulty and I'm sort of—

Mr Stapleton: We can certainly provide a better photocopy of the document.

Mr Cordiano: If you would, and it would lead to this question, again: What additional costs have been incurred as a result of these changes, and do we have an accounting of those additional costs? Have you got an idea as to what this implementation—

Mr Stapleton: Yes, an extremely imprecise guess, given that the amount of the original implementation was at \$415 million, and Mr Pascal has already indicated to you the difficulty in measuring the effects in terms of the interactive effects of rate increases, changes in other policies—

The Chair: Order. I can't hear the witnesses.

Mr Stapleton: And the interaction of other policies. I think it would be safe to say, though, in the case of the principal parts of the SARC recommendations, in the benefit area, with necessary modifications due to rate increases, they would go up with the actual cost of the case load. In other words, if you've seen 100% increase in the overall case load of both family benefits and general welfare assistance, it would be reasonable to say that the costs had roughly gone up in accord with that. That's imprecise and it's a—

Mr Cordiano: That's a pretty staggering figure, though. Am I following this correctly what you're saying? Case loads, going back to your sheet, before the recession, were approximately—in 1990, we were looking at case loads of around 300,000.

Mr Stapleton: Yes.

Mr Cordiano: We've now doubled the case load.

Mr Stapleton: That's correct.

Mr Cordiano: We're up around 600,000, so what you're telling me is that in fact the net effect or impact of SARC was to double the equivalent 100% increase in benefits. So we have a doubling of benefits, a doubling of costs?

Dr Pascal: It's not a doubling of benefits, but again there's an interaction between case load increase and benefits, and the exponential increase in case loads at a time where benefit enhancement was also taking place is the major contribution to the cost explosion.

Mr Cordiano: That's what I'm trying to get to the bottom of. You have a doubling of case loads and you equate that net increase with a doubling of impacts, if you will, and changes that have been made to the program.

Mr Stapleton: A very imprecise guess, yes.

Mr Cordiano: Yes, we're talking generalities, but that's a staggering figure.

Dr Pascal: It's a lot of money. It's a lot of money, but there was a commitment on reform and enhancements were made with the two successive governments at a time where the case loads increased beyond anyone's expectations. That's the net result, yes.

Mr Cordiano: It's safe to say then that the real impact of SARC was certainly a great deal more than what was estimated; at least year over year it's beginning to have that kind of an impact. And with respect to additional programs that the government has included, with Back on Track having been implemented about a year ago, and you're still continuing to

implement that, you're looking at an additional \$300 million. That's a low-ball figure, if what you're telling me is correct, because you're starting to have impacts that go well beyond that and multiply.

Mr Stapleton: Yes, and looking at that, I think also you would see the impact of the cap on CAP, which you would have to put in there and would cause even greater growth. On the other side too, I don't think anyone could have ever predicted the changes in the UI program and the labour market restructuring that we've gone through too that have resulted—

Mr Cordiano: So what I see here is exponential—

The Chair: I'm sorry to inform the committee that we have no further time for questions this morning.

Mr Jackson: On a point of order, Mr Chairman: Is it possible to have the deputants back for a brief time this afternoon, or does that bring this round to a conclusion? I don't want to challenge your ruling; I just want to know if it's possible. I reiterate, I did not participate in the lengthy debates on the WCB, and neither did my colleague Ms Marland—

The Chair: I appreciate that.

Mr Jackson: We did that because we felt the committee could deal with that portion quickly and we could continue. I have just received documentation this morning; I am told I'll receive more information this afternoon. I also have a matter of privilege which I wish to clear up if it is in fact your ruling that the deputants aren't coming back this afternoon. I have a matter of privilege to raise about the performance of one of the individuals.

The Chair: I anticipated that this matter might come up because of the intense interest members have shown over the past week. Our schedule for the afternoon, which will be in closed session, is basically to instruct our research officer as to the tone of the report we would like to receive and some specific things we would like to see in the report. I do not believe that will take up the entire afternoon.

What I would recommend to the committee as a compromise is to have the witnesses come back at 2 pm for 60 minutes—one hour—and then we would move from that portion of the hearings into a closed-session meeting with our research officer and also the Provincial Auditor. I'm quite confident that we can conclude the rest of the work deemed to be done for this afternoon in about an hour's time, maximum.

I need the concurrence of the committee because our schedule would have to be changed, as requested, and I would like to work by consensus if it's possible. I see some heads shaking no. Does that mean you don't want the witnesses back this afternoon?

Mr Duignan: That's correct, Mr Chair.

Mrs Marland: May I speak? I hope the government members are not declining this suggestion of the Chair, which I fully support, because they're concerned about answers and information that may be obtained for the public in the public's open session of this committee. I think it's very significant.

We actually agreed—and I say this to the whip for the government members. We had a 20-minute break—not for you to call your members; your members were all present—

for you to go and find out how you were going to vote on a motion. I think, in fairness, if we're asking to have one hour this afternoon just to finish our questions, that is a fair request and it certainly will not take us all afternoon to give our direction to Mr McLellan for the recommendations of this committee based on this particular report.

If we spent an hour giving our recommendations to our legislative researcher, then is the intent of the committee that we just adjourn early and go off home? I think it's more important that we stay here and do the business of this committee. I support and request at least that we have one more hour with the deputation here present.

1210

Mr Duignan: It wasn't this side of the committee that wasted the committee's time over the course of this week dealing with motions such as on the WCB, which had nothing to do with the subject at hand in this committee. For example, on Tuesday morning we wasted two hours dealing with motions, Mr Chair. It wasn't our side that wasted this particular time. As for the requested 20-minute recess, I have that right under standing order 126. We did not have all the members here present at the time and we will not—

Mrs Marland: Oh, oh—

The Chair: Order, please. I'd like to make a comment on what's been said. As the Chair of this committee, we have wasted no time. I want to make sure that the general public watching these committee proceedings knows that we didn't waste any time when you asked for your 20-minute recess, because under the rules of the committee, you have that right.

Mr Duignan: With all due respect, Mr Chair, we didn't say you wasted the time. In fact, the Liberal Party wasted the time of this committee.

The Chair: I don't try to talk over you, Mr Duignan.

Mr Duignan: Sometimes.

The Chair: Yes, when you're out of order.

Mr Jackson: Are you challenging the Chair?

Mr Duignan: No.

Mr Jackson: Then shut up.

The Chair: Order, please.

Mr Duignan: That's out of line, Mr Jackson. I recognize it's 12 of the clock, Mr Chair.

Mr Jackson: Mr Chair, I have the floor.

The Chair: The Chair cannot see the clock at the present time.

Mr Duignan: That's very—

The Chair: Yes, it's one of the prerogatives of the Chair. If you have any other precedents or experience you want to bring to my attention so I can do my job in a better way, please do so, Mr Duignan. If not, I think I have the floor.

Mr Derek Fletcher (Guelph): The standing orders—

The Chair: Thank you, Mr Fletcher, but I have the floor. I want to make sure that the general public watching these committee proceedings is aware that no time was wasted this week. The members of the government, under the rules by which we govern ourselves, had the option to use 20 minutes to do whatever they wished to prepare themselves for a vote.

All members of this committee have the right to interject on points of order and points of privilege, and all members of this committee have the right to make a petition to the Chair to ask for motions to be placed through the Chair to this committee. That's exactly what was done: There was absolutely no time wasted by any of the members, other than when interjections were made, which were out of order, and most of the time we ignored those interjections and just carried on.

I still do not see the clock, I want to tell the members. I see a couple of hands that have been raised. We're going to deal with this matter expeditiously. I allowed Mr Duignan to make his point. I promised Mr Jackson he would be next, then Mr Farnan and then Mr Callahan.

Mr Jackson: Very briefly, Mr Chairman, at this point it may be helpful to ask of the deputants if even some of them are able to be before us. The question here is not whether the committee has the right to ask them; it's whether some of them, one or two of them, can be here. That would be my first request, because I'd like to know that.

Second, if the government side does not have any remaining questions, I'm sure by agreement we could be done in 40 minutes. I would be pleased, instead of taking the full hour, to do 20 minutes for the official opposition and 20 minutes for our caucus, and then we'd only be asking them to come back for 40 minutes.

Those are the only two pieces of new information I'd add to this debate, but I'd remind you that I have served notice of a potential cause for privilege.

The Chair: Yes, you have.

Mr Jackson: If they're not coming back, I feel that in fairness to the deputy he should hear these concerns expressed for the record while he's here.

Mr Mike Farnan (Cambridge): Mr Chair, we have a game plan. And I should mention that I think your handling of the chair has kept us on track rather rigorously throughout the week. I would like to continue that, and I support dealing with the agenda that's laid out before us this afternoon.

The Chair: We'll do that.

Mr Farnan: I would contend that Mrs Marland's point that perhaps there is a very short session in store for us this afternoon in private session may be totally out in left field, because in actual fact I have heard and seen a considerable dichotomy of viewpoint presented here over these deliberations, and I think there's going to be a rather healthy debate in private session that could be quite lengthy. So I suggest that we take the afternoon to do the work we set aside for it. There are other means available to committee members to pursue issues, but I think we've also had a very healthy examination of the issues before us. I move that we continue with the agenda before us this afternoon and thank the delegation for their presentation to us.

Mr Callahan: A comment was made about motions. One of the motions that was placed before the Chair was, I think, not a waste of time. It was very significant and one that we have yet to really bring to its fruition. If that's what Jackson is talking about, that's the one on the collection agencies.

The government supported that motion, and I can't see how Mr Duignan is complaining that that was wasting the

committee's time. It's very important. We found that collections of something in the neighbourhood of \$120 million were being referred to this special division of MGS and that it was collecting about 10% of it, which I find outrageous. The question was whether we should be putting that out to a private collection agency. I think that's a most important item.

If that's what we're going to discuss or deal with when we come back, I think it's an integral part of the entire requirements and the obligations of the public accounts committee to in fact do that: to determine whether there is some way we can save this government some money, particularly when the deficit continues to become a burden; and also, equally important, to maintain the integrity of the entire safety net system of social assistance.

I find the comments by the members of the government that we were wasting time to be sheer balderdash, and I take exception to Mr Farnan once again attempting to bring down the veil of closure on these hearings, the same as he did with the Workers' Compensation Board. You've got the majority; you can do it you want. But I would hasten to add that it would be unwise, because the public is watching this and the public is terribly concerned about costs that are out of control, collections that are not being made and the questions of buildings being built at a time when there's \$52 billion worth of leasable space in this city.

That's what I have to say.

The Chair: I see no consensus for making a change to the schedule as written and presented to the members. I have no alternative other than to—

Mrs Marland: On a point of order, Mr Chairman: I don't think we have on the record of this committee a motion which approved that schedule that showed a closed session at 2 o'clock, do we?

The Chair: The clerk tells me, and I think she's correct, that there was a motion to adopt the subcommittee report, and part of that report was the schedule. We'll try to find it, if possible.

Mrs Marland: And in the report, it identified Thursday afternoon at 2 o'clock as a closed session?

The Chair: I don't know if it was that specific, Mrs Marland, but it was left up to staff—

Mrs Marland: That's the point I'm making.

The Chair: It was left up to staff to make an appropriate schedule, and at the time, that appeared to be appropriate. We have known since early in the week what the schedule has been.

Mrs Marland: But as the week has evolved, obviously things have changed. I don't think that our approval is as formal as "2 o'clock, closed session." That's simply the point I'm making. I don't think we are hidebound.

The Chair: I think it is, because we adopted the subcommittee's report and staff prepared an agenda in accordance with what they heard members say at the subcommittee. They presented the schedule early in the week. We've had it before us all week, and there's been no objection on the record that the agenda that's been prepared by the staff was in any way different from what the subcommittee had intended.

I see no consensus here to require our guests to come back this afternoon. At this time, I would like to thank Dr Charles Pascal, deputy minister, and all of his staff, who have been with us all this week, for answering our questions and for providing information and for agreeing to provide further information that has been requested.

The Chair now sees the clock. It's well past 12.

Mr Jackson: Mr Chairman, I served notice of a point of privilege, which takes precedence. It's a point of order.

The Chair: Point of order, Mr Jackson.

Mr Jackson: It's a point of privilege but it'll have absolute precedence as a point of order, if you want the technical point, Mr White. I indicated to you twice, Mr Chair, that if your ruling, which you've just now made, was that the deputants not return, that I be given an opportunity to put on the record a concern about information that the deputants have given to this committee. May I proceed? Out of fairness, I should present it in front of Mr Pascal. I'm making accusations about his staff.

The Chair: I'm going to rule that I will listen to your point of privilege, and if, at any point during your point of privilege, I conclude that it is not a point of privilege, I'll be adjourning the committee hearing.

Mr Farnan: Is there a time limit on this, Mr Chair?

The Chair: On a point of privilege? The Chair has some scope in deciding, but I think I've made it pretty clear that if, during Mr Jackson's presentation, I conclude it's not a point of privilege, I will rule as such and the committee will adjourn for the morning.

Mr Jackson: Thank you, Mr Chairman. The point centres around information that has been presented to this committee in tabled form, which is documented evidence, in

verbal form or in hearsay evidence which has been transferred. I expressed some concern about Dr Pascal referencing an employee who shared with him that the collection rates were in the order of 3%, similar to the success that he's enjoying currently within his ministry. I requested at that time that he share with us the name of the collection agency. He said he couldn't, as a point of privilege. He went on to say that he had actually indicated to the staff member that it would be nice if they did check on these rates, as the issue had been raised.

Acting upon that, I asked Ray McLellan to investigate the matter, and I have a matter which I'd like to circulate to all committee members. I'd like, without going into the details of the memo—I'll circulate it to all members, but it would appear to me that there may have been a prima facie case of a civil servant misleading Dr Pascal. I want it to be on the record in his presence that if he is to rely on the veracity of that employee's abilities to assist him, he should be made aware that he or she is so far off from the facts, even from a peripheral examination of how collection agencies work with government agencies.

I would very much appreciate the opportunity, if Dr Pascal wishes, to put it on the record, because of the concerns I've expressed. But I do not wish this committee, nor do I wish, to rely on information which, at best, is unfounded.

The Chair: I'm sorry, I hear no point of privilege. I once again thank Dr Pascal and the senior delegation from the Ministry of Community and Social Services who have worked with us all this week. We thank you for the information you have given us and the information you're going to be providing.

The committee adjourned at 1222.





CONTENTS

Thursday 21 January 1993

Annual report, Provincial Auditor, 1992	P-375
Ministry of Community and Social Services	P-375
Dr Charles E. Pascal, deputy minister	
Alison Fraser, acting director, policy development and program design branch	
Andre Iannuzziello, project manager, cost containment implementation	
John Stapleton, acting director, special projects secretariat	

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- ***Chair / Président:** Mancini, Remo (Essex South/-Sud L)
- ***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
- *Callahan, Robert V. (Brampton South/-Sud L)
 - Cousens, W. Donald (Markham PC)
- *Duignan, Noel (Halton North/-Nord ND)
 - Frankford, Robert (Scarborough East/-Est ND)
 - Haeck, Christel (St Catharines-Brock ND)
- *Hayes, Pat (Essex-Kent ND)
 - Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
 - O'Connor, Larry (Durham-York ND)
- *Sorbara, Gregory S. (York Centre L)
 - Tilson, David (Dufferin-Peel PC)

*In attendance / présents

Substitutions present / Membres remplaçants présents:

Farnan, Mike (Cambridge ND) for Mr Frankford
Fletcher, Derek (Guelph ND) for Mr Johnson
Hope, Randy R. (Chatham-Kent ND) for Ms Haeck
Jackson, Cameron (Burlington South/-Sud PC) for Mr Tilson
Marland, Margaret (Mississauga South/-Sud PC) for Mr Cousens

Also taking part / Autres participants et participantes:

Peters, Erik, Provincial Auditor

Clerk / Greffière par intérim: Deller, Deborah

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service

XC21
-P12

Government
of Ontario



P-24

P-24

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Deuxième intersession, 35^e législature

Official Report of Debates (Hansard)

Tuesday 23 February 1993

Journal des débats (Hansard)

Mardi 23 février 1993

Standing committee on public accounts

Annual report,
Provincial Auditor, 1992:
Ministry of Health

Comité permanent des comptes publics

Rapport annuel de 1992
du vérificateur provincial:
Ministère de la Santé



Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
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Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday 23 February 1993

The committee met at 1013 in room 151.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1992 MINISTRY OF HEALTH

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. The standing committee on public accounts is continuing its review of items chosen from the 1992 annual report of the Provincial Auditor.

This morning we have asked senior officials from the Ministry of Health to join us to discuss the health registration system. Mr Decter, we welcome you back to the committee. We may even offer you a permanent seat if you continue to show up at our meetings. I'm sure you wouldn't mind.

Mr Michael B. Decter: It's always a pleasure to be at the public accounts committee, particularly at the beginning.

The Chair: It's always a pleasure? That's what we thought. Mr Decter, we'll just ask you for the record to introduce the officials that you have with you and their areas of responsibility. I understand that you have a presentation that you wish to make to the committee. Once the introductions are over for the general public that is watching and for Hansard, I would just ask you to move right into your presentation, please.

Mr Decter: Thank you very much, Mr Chairman. It is a pleasure to be here and to continue our relationship with the committee as we jointly struggle with some of these issues.

I'd like to introduce Julie Legatt, the executive director of our administrative management division, Fred Hazell, the executive director of our information systems division, and Peter Burgess, the director of our registration program branch. They are the three officials in the ministry most directly involved with the health registration system.

I will make a brief apology at the beginning. I'm fighting a bit of a cold. I think my voice will hold up.

It was our intention to take you through a brief presentation. As we evolved the presentation it became clear that some of the complexity of the issues would require some time. It's my understanding you've allocated us some 40 minutes to do the presentation. We will try to get through it more rapidly if we can. I don't know whether you have a view on whether you want to save questions till we're through or take them as we go. We're open.

The Chair: I would prefer that we save questions, unless members find it impossible to restrain themselves.

Mr Joseph Cordiano (Lawrence): Forty minutes without speaking?

The Chair: Forty minutes without questions is a long time; it's almost an eternity.

Mr Decter: Yes. I understand that.

The Chair: Let's try our best.

Mr Decter: Okay. Health registration system: I would like to cover, essentially, some historical events briefly, how we got where we are. We would like to cover some of the details of the Provincial Auditor in his most recent report, and I think what we mostly want to do is talk to you about work we've undertaken since the auditor's report to address a number of the issues and, essentially, what progress we're making in moving forward.

In terms of the background, we have, I guess, categorized it in five groupings: the OHIP family-based system; the 1987 audit highlights; our own information technology plan; the individual health number; and the registration project.

Let me try to deal with 18 years of history rather quickly, the 1972 to 1990 period, in which we were reliant on a family-based number known variously as OMSIP, which goes back to 1966, and later on as OHSIP, which was the system that brought together 35 private insurers and a small number of insurance brokers.

In 1972 Ontario formally met the federal provisions for cost-sharing by implementing OHIP. We combined our hospital and medical coverage and we used the eight-digit numbering system for premium collection that was already in place, because it covered virtually 100% of the population at that time. The difficulty with the family-based registration system was in fact that it didn't have unique identifiers and it made it extremely difficult to therefore catch duplicates. There were no limits on the number of family members that were allowed.

Enrolment and application was largely through employers; about 80% came that way while an additional 20% came through individuals or groups of less than five employees. Eligibility to receive benefits was tied to premiums, although there were premium assistance mechanisms for those in need.

It was a relatively administratively complex system to administer. It was costly and it raised a number of universality issues. The processing of claims under that system was batch method, which had few automated controls. The entitlement card in those days was a paper card, and multiple versions could be issued with no indicator that they were multiple versions. In addition, every time an individual in Ontario changed jobs, he was issued, generally, with a new OHIP number, and other changes, marriage, divorce, reaching 21, also triggered issuance of a new card.

If we go to the 1987 audit findings, which were really, I think, the propellant for us to change how we tackled this, the audit findings were in summary: Our computer system was outmoded and unresponsive to present-day needs; we were not using advances in computer system design. I think most important, as we get into numbers,

there were 25 million numbers on file under the OHIP system as of 1987 against a population of somewhat less than 10 million; that was an enrolment of nearly three times the provincial population. We also had a good-faith policy in place, and under that policy we were paying some \$50 million a year.

1020

If you look across you can see that significant efforts were made, have been made, to tackle those issues. We moved to an on-line system with implementation in August 1990. We undertook the registration project to get a unique identifier, and we have—and I'll come to much more detail on this—but we have roughly 10.8 million as opposed to the previous 25 million, which we believe to be within 4% of the provincial population. I'll also come to the issue of some uncertainty between ourselves and Statistics Canada about what the actual population of Ontario is at the moment.

The premiums were abolished in January 1990 which removed that base and we have seen a reduction in good-faith payments to roughly \$1.5 million annually. We are under way on a claims rewrite project which will clean up the last part of the movement to the new world.

In 1989 the ministry put together an information technology strategic plan which looked at how we would cluster health data and how we would essentially link together the various information we were collecting. This had been recommended to the ministry as early as 1970 by the Ontario Council of Health; later in 1983 by a report called *Health Care in the 80s and Beyond*; and again in 1987 when Dr Robert Spasoff's report, *Health Goals for Ontario*, was published. Essentially everyone had been calling for movement to a unique health care number to allow us to have databases that allowed both management of the system and planning of the system.

There was a very large effort undertaken: Three years of consultation, involvement by over 400 staff in the ministry to develop a plan—

The Vice-Chair (Mr Joseph Cordiano): Excuse me, Mr Decter. It's a little difficult to see the on-screen from this distance. I would ask if you had a handout that could be made available to all members. I don't believe we have that.

Mr Decter: We can, I think, get a handout. I don't know how rapidly we can do that. As rapidly as possible.

The Vice-Chair: Okay. I would appreciate that. Perhaps we could carry on.

Mr Decter: As we get through the historical piece into the more current issues I'll slow down and walk people through what's on the screen, so it will be a little easier to follow and we will have copies.

The registration project inside the IT plan really had as its objective linking a unique health number to all of the health services provided to individuals. We had a very program based ministry, very, if you want to think about it, vertical where programs were not linked together and where services to individuals were not linked together in planning terms.

The other thing that was initiated at that time was the encounter card pilot project in Fort Frances which is our attempt to look at smart card technology and how we might use that. That took us essentially to the issue of why a unique individual number, and I think there are five good reasons for it.

The first is public understanding, and I think that's self-evident. The second is confidentiality. We wanted one database that we could have proper security on rather than small databases everywhere in the ministry using different identifiers. Third is customer service. Obviously it's easier to provide customer service if you know who you're providing those services to.

Planning is a very central issue for us. As you can imagine, planning a health care system for 10 million people requires a lot of insight into what services are being delivered and in the days before the unique number, we didn't have a good idea of to whom services were being delivered.

Finally, eligibility control. As we've moved to have a universal system we still, of course, have eligibility rules, and to manage and police those rules there is much to commend a unique number.

The basic features of the new registration system are:

- (1) an individual permanent health number for every resident of Ontario;
- (2) a durable plastic card issued to each individual;
- (3) a registration system that didn't rely on the premium system for identification or registration;
- (4) an enriched registration database including, at a minimum, date of birth, sex and address;
- (5) a common registration database which would be used by all ministry programs, which would allow linkage of ministry service on a historical basis and, finally, a one-time universal reregistration program to implement the new system.

Those were the basic underlying reasons for doing it and we undertook, as you're aware, to move forward on that. I think the next diagram sets out how we went about the process of having people apply and it kind of walks through the mail application, the use in some circumstances, of citizenship documentation, the processing and the mailing of cards.

This was a fairly massive effort, commencing in May 1990. I think, if you go to the next slide, you can see the sort of time period over which—you can see the major part of the registration project, commencing in May 1990, and ramping up quite rapidly to February 1991, and then a bit of a plateauing. The two lines, the black line is the standard health card and the dotted line, the lower one, is the Health 65, the card people get when they turn 65 years of age.

The universal reregistration project was a major investment and, as you can imagine, it didn't go totally smoothly. There were backlogs in processing and you can see from the black line there that those backlogs peaked in about August 1991 and have come down substantially since, to a level that we believe is a manageable level.

It was a huge task for the ministry, I think, carried out in the end well, but with probably some underestimation of the degree of difficulty on the front end. We now have the vast majority of people in Ontario equipped with the current

health card, which you would know looks something like that, and I believe this is not an actual card. This is one made up for the occasion. Everyone has their own card, we hope, and we hope that you're all carrying it.

Let me come now to the health number registration system, because this was the subject of the auditor's most recent report and the major activity I want to talk about. Yes?

Mr David Tilson (Dufferin-Peel): Excuse me, could you just flip back to that card?

Mr Decter: Certainly.

Mr Tilson: I guess we're just looking—I just happened to pull out my card, which is—excuse me, Mr Chairman, may I jump in at this point? We're all getting our cards out.

The Vice-Chair: I'm going to allow a point of clarification.

Mr Tilson: Thank you.

The Vice-Chair: Rather than a question.

Mr Tilson: It's just that I'll probably forget, if I don't ask the question.

The Vice-Chair: Point of clarification, go ahead.

Mr Tilson: I look at the card that you have and it has the word "expiry" on there. That's not on my card. Is there a reason for that?

Mr Decter: Yes, I'll let Peter speak to that. We have a few variations on the cards.

Mr Tilson: Are there different cards? My card seems to be different from that card.

Mr Peter Burgess: Perhaps I can clarify. Some temporary cards have been issued for a limited period of time. They will have, in the bottom left-hand corner, an expiry date. They are for migrant workers and other individuals who are covered for health care for a very limited period while they are here in the province.

The two initials, VC, down in the bottom right-hand corner, are a version code. Hopefully, not too many of you will have a version code on your card. It signifies that you have had more than one card.

1030

Mr Tilson: Oops, I've got a number down there. Do I have more than one card and don't know it?

The Vice-Chair: Order, please.

Mr Burgess: Let me just add one other significant number that appeared on the cards that were first produced in the initial registration. They have an eight-digit number and that is your old OHIP number. That was supplied at that time, I understand, because the providers were given a period of time during which they could bill services rendered either on your OHIP number or on your new unique individual health number.

Mr Tilson: Okay, we'll spend more time on that later, but I guess my observation was on the word "expiry." I thought that a temporary card was simply a piece of paper, that if you didn't have any identification as to who you were or you didn't have a fixed address or something, you could somehow get a piece of paper; you didn't get a card.

Mr Burgess: The picture that is showing on the screen is in fact a picture of either the paper card or the

health card. They look identical other than the fact that one is plastic and one is paper, and the paper card for those who have limited eligibility has an expiry date on the bottom left-hand corner.

Mr Tilson: Mr Chairman, one more question.

The Vice-Chair: One final question.

Mr Tilson: Thank you. The permanent card does not have an expiry date on it.

Mr Decter: No, and if it hasn't been reissued—

Mr Burgess: It would not have a version code either.

Mr Decter: —then it wouldn't have a version code. We wanted to show everything that could be there and I believe—are those accurate percentages currently that about 1.2% of cards would have an expiry date and about 8% would have a version code?

Mr Burgess: That's right.

Mr Decter: So 90%-plus would have neither, although the early ones would have the old OHIP number on them to assist providers in making the transition. We'll come back to these issues a little bit later.

The Vice-Chair: Perhaps we can carry on and not have too many questions as we agreed not to ask questions till the presentation was finished.

Mr Decter: In terms of the registration system, one of the things we wanted to do, because there have been a lot of questions about us versus others, was to give you—and it's a bit of a confusing slide—the comparison with other provinces. This one will be a little easier when you've got it in front of you.

To walk down it a little bit, I guess the thing most easy to see is that there are a good number of variations. We are one of five provinces with a plastic card. We are one of three provinces with a mag stripe. We are one of two provinces with a version code. All of the provinces have the name on the card and six of them have the sex on the card; we have it on the mag stripe on the back. Where it says UR, that is "under review," so we're considering, and I'll come back to it later, whether we would add both the sex and date of birth to the front of the card.

Anyway, I won't go through each and every one of these. The major point we're making here is that each of the 10 provinces has done things a little differently in this respect and that I think Ontario sits sort of in the middle of the pack in terms of doing this.

The province that's moved the furthest in terms of the elaboration of the card is Quebec. They now have a photo on their health card and that's something that we're looking at. As indicated in the response to the auditor's report at the time of the initial reregistration, it was seen as beyond our resources and means to move to 10 million photographs on 10 million cards. But the issue is one that's currently under review and we're very interested in learning from Quebec more about its approach.

I guess another issue is that four of the provinces have a card renewal cycle which we're also looking at and five of them have a telephone validation capacity which we're more than looking at; we're looking at implementing an

ability for providers to validate health cards by way of a telephone line.

Again, the point of this is really to say that we are looking at innovations in other jurisdictions, and I guess I'd just underscore that fully five of the provinces are still using paper cards at this point, although I believe most of those are looking at the issue.

Let me take a special look at the New Brunswick experience, because New Brunswick, of the other provinces, has probably tackled this issue. They felt they had a great deal of cross-border shopping, if I can put it that way, from their shared border with Maine. They are a slightly smaller population than our own of some 724,000. Their ministry, which is a combined Health and Community Services ministry, has a budget of about \$1 billion a year.

They reissued a new card in the summer of 1992 which, although I think it remained a paper card without a photo, did have an expiry date on it, a staggered period of time. They issued about 7.1% more than their expected population and have started into a reconciliation. To date, I believe they've reconciled 33,000 individuals which means they've still got 18,000 or about 2.5% of their total population unaccounted for.

The efforts have gone to, I guess, one extreme in New Brunswick. They have actually published posters entitled "Medicare Fraud—You Can Help Stop It," and they've involved Crime Stoppers, so they are in fact taking a very aggressive approach to the issue in that province.

We are watching what they are doing. They've had, according to the most recent information, 25 medicare-related tips since their program began in mid-January and their tips are both fraudulent provider as well as fraudulent consumer tips. I think, to come back to it later, the New Brunswick measures are seen by some of the other provinces as perhaps somewhat strident but nevertheless worthy of monitoring and seeing how it works out.

If I come to our own situation—to get into the numbers—I think fundamentally the issue for us is how many cards have we issued and how are we moving back from the issuance to having a good congruence between the number of cards out there and the number of eligible people, so let me try and walk you through this at a macro level and then I'll come back to the specific measures.

We have, as of January 1993, produced 12.2 million health cards. Of those, 1.4 million are ineligible. Those are cards that have been struck off eligibility for one reason or another. That leaves us with 10.8 million people on the database with eligibility.

I'll give you the other view on population in a minute, but the Treasury and Economics view of our population is 10,080,000 so if you subtract that from who we've got on the database, we then have 740,000 entries on the database that need reconciliation. Of that, if you want to break it out, we have, we believe, 273,000 who are eligible but not in the population estimate. Let's divert and go back and we'll tell you who those are.

Mr Tilson: I didn't hear that last number you said.

Mr Decter: It was 273,000 who are not counted in the population estimate but we believe have eligibility.

Mr Jim Wilson (Simcoe West): What's your total population estimate?

Mr Decter: It's 10,080,000, is the one we're using in this go-through. So if you take the—

Mr Tilson: I'm sorry to interrupt, but these facts are very critical for us to understand and that's probably the main reason you're here. Is all this on a sheet somewhere, these facts that you listing off, that we could get?

Mr Decter: Sure.

Mr Tilson: That's probably the most critical of what you've been saying.

Mr Decter: If someone wants to simply go and make a copy of this package very quickly, then you'll have them in front of us. Let's hang on and do one more. Okay, I think you should make copies of that rapidly then.

This is very critical, and we'll probably spend significant time on it today and tomorrow. But let me take the first piece of the reconciliation, which are those people who are eligible but would not be counted in the population number. There are five groupings here. I'll work around from the bottom: 72,000 temporary residents. These would be foreign workers and students. That's the biggest group—38% of it. These would not be counted by Statscan in the census.

The Chair: Mr Decter, if I can have your attention for just a moment, it has been suggested to me that we take a short five-minute recess until all the material comes in and that way can be easier for us to follow your presentation and may in fact save us quite a bit of time later on. The committee stands adjourned until approximately 10:45. Thank you.

The committee recessed at 1042 and resumed at 1045.

The Chair: If I could just have everyone's attention, the information that we requested is now being distributed, and I'd like to call the committee back to order so that we don't lose any further time. I know members are also anxious to ask questions.

Mr Decter, do you think it might be possible to wrap it up by 11 so that the members could get on with the questions? I don't know how much longer I can withstand their interest.

Mr Decter: We'll try and go quickly. I just think that we might actually spare people some questions if we're precise in the presentation, but I recognize there's a balance here between preventive presentation and—

The Chair: Anyway, the members are anxious to—

Mr Larry O'Connor (Durham-York): As a suggestion, maybe we can ask the deputy minister to provide us a copy of the full package of slides that's being presented. Maybe we can have that. If we alert them now, maybe we can have that for this afternoon's session even.

Mr Decter: Yes, I believe they're working on it and we should have you the full package. I apologize for not having it this morning.

The Chair: No, that's okay. That's fine.

Mr Decter: We're back on case 1. You'll have in your package case 1, which is the lower population estimate,

and then case 2, which I'll speak to in a minute. But on case 1, if you're working down, then the first cluster, which is the 273, these are people who are not in the population estimate but are eligible and are therefore on our database. I'll go quickly.

The groups include the temporary residents, the largest group, then transients and our aboriginal people, who are underenumerated. Others include refugee claimants and approved absences. We have a process for approving longer-than-the-regular absences. That would reduce the kind of gap, if you like, between what's on the database and what the population is to a little under half a million, 466,000.

The Chair: You're looking at case 1?

Mr Decter: Yes, I'm looking at case 1 and I'm down to chart 3. I don't want to overplay this, but these are the relatively easy-to-remove registrants, and we are working on removing all of these. So of the problem, better than half of it is really four groups: as-yet-unreconciled deaths, some 42,000; duplicates, 153,000; outstanding deportations, that is, there are a little over 30,000 people who have outstanding deportation orders who are not yet off the database; and immigrants of some 46,000.

These are, if I can put it this way, people who are still on the database at this point but whom we are working very specifically to remove. That will, if we continue down case 1, reduce the gap to 194,000, and we presume these people to be ineligible but we haven't so far in our efforts been able to fully list them. I would just note there that that amounts to about 1.8% of our population, somewhat lower than the New Brunswick 2.5%; certainly higher than we would like, but it is a process of elimination and working through.

We are, if you like, taking the easy cases first and working towards the hard ones. Let me make just a brief comment on case 2, because the issue of how many people there are in the province is a live issue between Treasury and Economics and Statistics Canada. The federal government recently admitted that it missed 430,000 residents of Ontario in the census—rather a significant omission—and if one adds that number back, one would have a population of 10.5 million.

I'm not here to tell you that we believe the population of Ontario to be 10.5 million. I am here to tell you that I think Statistics Canada is feeling that it may have understated it, and work is going on between Statistics Canada and Treasury and Economics—I guess now renamed the Ministry of Finance—to reconcile this.

I will also tell you that other provincial jurisdictions—the one I'm most familiar with is Manitoba—have historically been able to win a case. Manitoba has always had a unique identifier. In the 1970s the Manitoba government was able to convince the government of Canada that the Manitoba Health Services Commission records provided a better estimate of the Manitoba population than did the census, and significant changes in cost-sharing between Manitoba and Canada resulted, that is, more money for the province because the government of Canada accepted that the health records were a more comprehensive measurement.

So we put case 2 here not to say that the problems will all go away on the basis that the people are really there and really eligible, but just to say that until we have agreement on the population, the gap issue becomes quite different. If you take the larger population estimate, then the assumed ineligible drops off to a very small number.

I'm not here to tell you that that's a more accurate number. I am here to tell you there is some genuine belief on our part that some of what we've captured are real people in Ontario who may well have been missed by other measurements. It doesn't change our approach. We still will be moving—and I'll describe some of the measures here very quickly—to reconcile.

The registration program branch was established on May 1, 1992. It has a mandate, which I will read: "To manage the ministry's health-number-registered persons database by undertaking activities to secure registration data and maximize efficiencies inherent in the ministry's one-number approach to insured services."

My own rendition of that is a little shorter. The creation of the branch was to secure our investment in the registration database. We invested some \$40 million in reregistering everyone, issuing the unique health numbers. Without the follow-through investment, we risk no return or a limited return on the initial investment.

I know one issue flagged by the auditor is, "What is your return and how optimistic were those early Management Board submission estimates around how much this would yield?" In my own view, without the sustained effort which the registration program branch is giving, our yield will be greatly diminished and we run the risk of drifting back towards the old OHIP experience, which is if you keep issuing and you don't take numbers out, obviously it loses its value.

Let me describe a couple of the specific projects that are under way under the branch, and I'll go lightly through. We did have two reviews by the KPMG firm looking at how well the registration had gone and making recommendations on how we might tighten the system. We have implemented those measures or started to implement them.

Let me come to the program branch. It has three units: an analysis unit, a verification unit and a planning and policy design unit. This really is a significant dedication of staff on our part, staff, I should say, freed up by some amount of automation on the claims processing side within health insurance. The effort here is really to identify a long list of ways that we can resolve the list.

The verification unit, as the name would imply, has both process and substantive concerns: reviews, for example, of border towns; reviews of easy-to-find duplicates, errors and omissions.

The planning and design unit is more focused on policies, areas like registration of special groups, newborns, the homeless, natives, data access and security and the card itself, should we change the format.

The analysis unit has the focus of identifying high-yield ventures that we could undertake to reconcile. Let me describe the first of these, and it will sound very straightforward but it's been seven months of work with our

respective legal branches simply to obtain automatic notification of deaths from the registrar general.

You would presume that the group that we would most rapidly like to take off the database is in fact those eligible persons who are no longer eligible by virtue of being deceased. It turned out to be a fairly major undertaking to get that done. We have received some 200,000 death notifications and we have eliminated two thirds of them. Some had already been eliminated. We're still working through the rest and we have an issuant in terms of finding matches within the database. That will be a continuing, ongoing relationship to make sure that, as happened with the old OHIP database, we do not keep people who are no longer eligible by virtue of death on the list.

The second issue I should talk to is newborn registration. Oddly enough, we haven't found a way for newborns to enter the world clutching their health cards, and there was a significant issue there. We have got, I think, a good system by providing to hospitals and birthing centres pre-allocated health numbers. Since we implemented the new system, 91% of newborns have been registered within 15 days of birth and plastic health cards have been issued to 85% of newborns within 15 days of birth. We're getting there on the newborns, and you can see the cycle here. We're also looking at how we might work with the registrar general to integrate the birth data. So we're doing better on newborns but we're not all the way there.

The third major initiative is a point-of-service survey we decided we would look at. In a voluntary survey in Kingston and Windsor, using a questionnaire which had freedom of information approval, what was actually happening at, if you like, the coal face where people were coming in to receive service, these are some interesting responses. This was admittedly a small sample but we wanted to find out what was going on right out there at the point of service: 89% of people had their health cards; there were seven incorrect cards presented, which was only 1%; there were inaccurate registration data in 4.5% of cases.

Here's a real problem for us: People don't notify us when they change address. We are working on that but we had a high rate of wrong addresses based on people moving, and that has led us to a poster which we hope will be getting wide circulation, and to work with the post office to get people to notify us when they're moving so we can keep the address side up to date. I would say our highest inaccuracy in the database at the moment is probably on addresses and will need the most work.

Some of the errors were simply, as you might understand, people registering under Tony rather than Anthony and some of those kinds of rather understandable issues. The comparative statistic—I guess 65% of people who move notify the Ministry of Transportation but only about 20% of people who move notify us. So we need to address that.

1100

I'll move along, knowing the time pressures. We have also done eligibility investigations, and the results here have led to cancellations. We've looked into 3,254 cases. These are currently under review. We've completed on 2,400. In terms of cancellations, most of them have been duplicate health numbers, deportations, former residents.

So we see some significant yield from the eligibility investigations and we will continue along.

We've also been working with the Employment and Immigration department of the government of Canada. We're working with them to allow a direct exchange of data to confirm residency status between the two organizations. We have done a mail survey. This was of people who were registering for health numbers using Canadian immigration document numbers, and we have some significant duplication in here, so that's another one we're working on.

An additional effort is being made in the border communities, because we feel these are the communities most susceptible perhaps to some transborder shopping. These are early days; we have sent letters and we are following up, particularly on the undeliverable letters that have come back.

An additional change we've made recently. We referred to the version codes earlier. Version codes come on two ways: one, if you apply for a second card on the basis of having lost a card, or, I believe when you turn 65 you get a Health 65 card, which would have a version card.

For the past three years we have been paying physicians against wrong version codes and sending them a list every month of those numbers that have wrong version codes, in the expectation they would clean up their records. That hasn't happened, so as of February 1 we have indicated that we will not pay on incorrect version codes. In our view, this amounts to about 3% of claims we're receiving. We get about 10 million claims a month; about 300,000 of them are against wrong version codes.

Now, this does not—and I'll be direct in saying this—mean the people are ineligible; it may simply mean that someone—Mrs Jones, who's turned 65, has brought in her old number, or the physician has her old version code on file and has not updated it with the new one.

As you would imagine, the Ontario Medical Association is not delighted with what it sees as an increased burden on physicians. Our view from the ministry is that they've had three years to clean this up. We think it'll clean up very quickly, that they have, after all, all of the previous information we've sent them to look at, and it does not amount to a large number of claims per physician.

I would refer to a document from the US government, in which they looked at the burden on physicians. This is the General Accounting Office evaluation of Canadian health insurance. "According to the Ontario Medical Association, billing and other claims-related activities place little demand on a Canadian physician...." This is as compared to American physicians who spend as much as "4.4% of their time on...insurance-related functions."

We've asked the physicians of Ontario to help us out in cleaning up the version code issue and we've given them the added impetus of non-payment of wrong version code bills. That started as of February 1 of this year, so we will see over the next couple of months how rapidly that deals with the issue. We are trying to help them out by looking at an interactive voice where they could code in a number and version code and get an automated response that

would say "This is correct" or "This is incorrect," and we're looking at card swipe readers in high-volume areas.

An additional measure we've taken is to increase the automation. We have much more accuracy in claims submitted in machine-readable form than in claims submitted on paper. We are now at just under 80% of claims coming in machine-readable, and we hope to be at 98% a year from September. To accelerate that, as of January we've said that new providers coming in have to come in automated and we've indicated that as of next July there'll be a 50 cents-per-claim processing charge for claims that are still coming in on paper.

We're seeing a steady ramping-up, so I don't think we're going to get rich on the 50 cents per claim. I think by the time next summer arrives we'll be getting the vast majority of claims in the machine-readable form, to improve our accuracy and allow us to deploy more staff to looking at what the claims are for rather than simply processing them.

I'll go quickly here because I sense the restlessness of the committee. We are working on information exchanges with Employment and Immigration, and we hope to have this implemented by the third quarter of this year. There are significant legal and privacy concerns on both sides, but we have a shared interest here in terms of getting accurate information exchanges.

The analysis project encompasses some 47 individual studies. We have looked at, for example, whether people are using our health cards to access social assistance in a way that's fraudulent and we have detected some amount of that, so we're working jointly with the Ministry of Community and Social Services to clean that up. We're looking at extreme service in the first 30 days of eligibility, that is, people who gain eligibility and immediately go for major procedures and whether that's an indication of something amiss, and we're looking at eligibility checking in the hospitals.

We're really focused in the registration analysis project on high-risk areas—high risk of fraud or abuse—and I could give much more detail on each of these efforts that's under way. You'll have a list in your package. In the interests of time I would just say that we welcome any suggestions and we're pursuing, as you can imagine, with 47 different initiatives, all of the promising leads that have been forwarded to us.

In terms of an overview of the future, we have significant efforts under way. We want to realize on the future potential of the database, and in terms of balancing, on one hand, some of the FOI concerns that were embodied in the specific piece of legislation put forward, we do believe that allows us to integrate more with the registrar general around birth reporting, to go to perhaps a common form for getting those data for both purposes. I think realistically we're looking at early 1994 for implementation there.

In terms of initiatives other than birth reporting, getting the duplicates off the database is very high on our list. We are looking at point-of-service validation, particularly in the hospitals. We're looking at what changes we might make to the health card itself, whether we should add a photo. We are looking at eliminating the paper health

cards and we are examining everything the other provinces are doing.

We are also looking at a consumer monitoring system: how to bring the consumer into the loop and how best to do that. One way of doing that is, of course, to feed back to individuals an annual statement of services to see if in fact they remember receiving those services or can validate that they have.

Finally, and I should touch on it, there is enormous potential for this database. We're less far along than I would like to be in realizing on the investment in the ministry.

1110

We're also engaged now in automating the Ontario drug benefit program, the target of next summer. We've been out on a request for proposals. The advantage of that is that we will have a second linked database covering about something over two million of our eligible people, essentially everyone over the age of 65, and that will allow us a second source of information to cross-reference both services for planning purposes and eligibility.

I think I'd say, and probably a speculative thing for me to say, it doesn't strike us that a lot of people with a second health card are going to use twice as many health services. It just doesn't stand to reason. It is, however, the case that in the drug program and in obtaining social assistance the use of a health card may allow someone either to obtain drugs for resale or to obtain a direct financial benefit fraudulently. So we're very sensitive to working with both the drug program and with MCSS to jointly review those issues.

The final point I'd make is that we are experiencing declining utilization, a slowing of the growth in utilization in OHIP. I think we can just go to a couple of the slides, and maybe that one is the most powerful. Those are annual percentage increases in utilization of physician services, our major source of services. As you can see, history has been anywhere from around 4% in some years to as high as nearly 7% or 8%. The year we're in, and this is an estimate, but we think with a little over a month to go, a pretty good one, we're going to be somewhere between 1% and 2%.

Some of the credit here goes to the change in out-of-country policy, and some of the credit here should certainly go to the new agreement between the OMA and the government. But I'll put it this way: I think, although impossible to measure at this point, moving to the unique health number is starting to help us clean up some of the problems in the system. We're not all the way there yet, but I can tell you, I'd be a lot more worried about the use of the card if this number were at the high end of the range rather than the lowest number we've seen in many, many years. To give you a little more specificity on that, these are the quarterly numbers, so you can see the trend line is continuing down through the past three years. This is the period during which the card has been implemented.

The note I would conclude on is that we think there's huge potential to this database. We're clearly not all the way there; we have a lot of work to do to realize on the investment made. We think with 20-20 hindsight that it

was the right investment to make. I think that probably as a ministry we underestimated the amount of work involved beyond the simple issuance of the number to making sure that the number was put to good use. It has been a colossal task and we are, I think, getting progress. We have some frustration around some issues; there are some very real balancing acts here, and I should just flag them.

One is, we don't want on one hand, fraud, so we want accountability. On the other hand, the last thing we want to do is deter access. So we've got to be very careful that we take steps to make sure services are there for the homeless and other groups who may have fallen through the cracks of our society but are eligible persons for services. We need to balance also our desire to really use the number for better management of the system against the very real privacy and individual protection concerns that were embodied in the statute. So there are a couple of important balancing acts, and we will get better at this over time.

With that, let me thank the committee for its tolerance in letting us get this presentation on the record. Copies will be available, and we're in your hands as to questions from here.

The Chair: Mr Decter, I want to thank you and your staff for the presentation this morning. We in fact have a long list of members of the committee who wish to ask questions. I think what I'm going to do is limit each caucus to 10 minutes, and that way it guarantees us at least one rotation this morning. We're going to start with the official opposition, then the third party, then the government members.

Mr Cordiano, you have 10 minutes for questions.

Mr Cordiano: I appreciate the extensiveness of the presentation and your patience with respect to some questions that were asked. But let me make this one statement as an opening remark.

I think that our interest as a committee obviously is to ensure that you are applying the most effective and efficient methods available, given the system that's in place now. I think it's important to note that a number of changes and alterations can be made to the system that's been presently put in place without additional huge costs being exacted or spent with respect to a complete revamping of the system, which some people have suggested. I don't, for one, believe that it's necessary to do that at this time, if in fact you follow the course of action you have indicated today that you'll be following.

I think there are a number of recommendations that we possibly can make as a committee to you regarding changes which will be, I think, effective. We'll also have an opportunity as a committee to examine these alternative systems, which I think we will endeavour to do as the week goes on and we call in other witnesses, and I imagine that we'll be doing that further on in the week.

But let me just say that I think this is one of the most important issues that this committee is dealing with, given the magnitude of the dollars that are involved, and I think one of the questions that comes to my mind with respect to dollar figures is that we can't put a dollar figure on what some people have termed the bleeding of the health care system.

I don't think anybody has really made an accurate assessment of that, unless you can give some indication as to what it's actually costing this province in terms of access to health care by ineligible people. I think we have a rough idea and it concerns me that you have pointed out that there are some 300,000 version codes or claims that have come in in version codes and cannot be verified as to whether those are duplicates or, as you indicated, people who have become senior citizens and are now eligible on a different card.

That concerns me a great deal because that's still a huge number of the number of claims that are coming in each month. I think you indicated there were 10 million a month, and 300,000 are these version code claims. We still have some question as to the eligibility of those people. I think you indicated there is a certain amount of duplication and you don't have precise figures with respect to that duplication.

Mr Decter: If I can try and address that, we know that we've issued 8% of registrants with a replacement health card, in essence, one with a version code, so we know the total size of that group, and we know on the other side that we're getting, as I mentioned, some 3% of monthly claims with wrong version codes. I don't think we'll know until we've had a few months experience with physicians resubmitting how many of those 3% clean up easily; that is, they get the right card with the right version code, how many of those are truly ineligible people, and therefore, the claim isn't resubmitted successfully. We will need a couple of months to be able to evaluate that.

But I want to caution that I think, because it's been very recent that we've been getting the deceased persons off the file because of the automatic issuance of version code cards to people 65 and over, there is considerable potential for surviving spouses, for example, to be still in the physician's file under a wrong number.

1120

I don't want to make light of this. When you're responsible for \$17 billion a year of spending on health, all of these issues weigh pretty heavily on all of us in the ministry. There really are some juggling acts between investments to tighten down the system and investments to make sure that people are getting the health care that they're eligible for. I'd say we're getting good cooperation from both the Ontario Hospital Association and the Ontario Medical Association leadership, although they're not thrilled with the version code.

Mr Cordiano: What is it exactly that they're assisting you with? Can you be a little more specific? What is it that you're planning with physicians?

Mr Decter: In the case of physicians, we want them to automate their billings, and we're getting just under 80% of them. Our sense is by July, with the impetus of the fee, we will get much higher than that. The second really is the version codes.

Mr Cordiano: Is there a cost factor with respect to automation?

Mr Decter: There is a cost factor for the physician with automation, but the majority of them have already

automated with no assistance. The tax side of it is fairly generous. They can write off the equipment, I believe, at a very rapid pace, so the net after-tax cost isn't that great.

They're not compelled to automate. They can remain with paper cards and pay us a processing fee, or there are companies that operate to process claims and actually charge a fee somewhat lower than our 50 cents, so that a physician—one of the continuing concerns has been for an elderly physician who might be planning to retire, why should he or she have to automate?

The approach we've taken isn't to force anyone. It's to give them a pretty strong incentive to automate. That will pull down the error rate. I'm going from memory, but I believe our error rates on paper claims are between 4% and 5% and on automated claims they're under 2%, down around 1.6% or something. So simply getting them automated is going to start to make this a more efficient and effective system.

Mr Cordiano: Very briefly—I think I'm running out of time—but it concerns me that you indicated that you're working with MCSS to limit the amount of fraud, and somehow you're working with them simultaneously to what? To detect, to have more people in the field who are going to go out and inspect for eligibility, because we heard from the Ministry of Community and Social Services with regard to its efforts to reduce the amount of fraud.

There seemed to be a real concern with the number of people who would be employed to do this. Staffing requirements were less than satisfactory, at least from what I heard, that there was a great pressure on the ministry in fact to keep up with the demands on it at the present time for additional applications for social assistance, let alone have enough inspectors on hand to determine eligibility.

If you're relying on the Ministry of Community and Social Services to detect instances of fraud or some sort of cross-ministry cooperation, how will you do that without the additional efforts of some people whom you're going to employ to do that?

Mr Decter: I think perhaps Peter could speak to that. We're working jointly, but in terms of the specifics of the initiative, I'd ask Peter to say some things.

Mr Burgess: Certainly. It's actually a very exciting analysis that's been undertaken just recently by members of the analysis unit.

We, on a monthly basis at the Ministry of Health, have a data feed from MCSS for those receiving welfare benefits who, as part of that benefit, will receive the right to free drugs. We have over the last few months taken that feed of information from MCSS and attempted to match it against our database.

MCSS, in a lot of cases, has in fact got the health number of the individual who is receiving the benefit. In some cases, they do not. Where they do not have a health number, they issue a thing called an MCSS reference number. Those we are still having trouble reconciling. If I can put that still potential problem, which we have not yet finished analysing, to one side, the activities that we have under way right now with MCSS, following this exchange of information, in which we've spent many hours in meeting

with the MCSS operational folks and our folks, we have narrowed down a set of occurrences where it appears to us, receiving the combined data from MCSS, that an individual is receiving overlapping benefits, benefits from two or more offices over the same period for family or general welfare.

As it turned out, our information was correct. It did look as if there were overlapping benefits. However, once we had some input from the MCSS staff, it appeared that that in fact was a correct occurrence. Of the 16,000 events that were exchanged, we have over the course of the last three months narrowed it down to, I believe, six cases where MCSS says yes, that looks like pure fraud. That looks like an individual getting two coverages either to ODB eligibility cards and using them, or two welfare cheques. There are a further 49 as of the end of January. Now, our staff in Kingston are still working alongside MCSS, but there were at that time a further 49 which were jointly being looked at.

The Chair: Thank you. Mr Carr, 10 minutes.

Interjection: Mr Wilson.

The Chair: Mr Carr had his hand up first.

Interjection: There's no Mr Carr.

The Chair: Mr Tilson.

Mr Tilson: Mr Wilson.

The Chair: Oh, I'm sorry.

Mr Jim Wilson: Thank you, Chair, and thank you, Mr Decter and your officials, for appearing before the committee this morning.

Mr Decter, using your best case numbers as presented this morning, what your charts tell me is that there are 1.4 million health cards in circulation that can be used by any resident of this province or anyone that's in this province or anyone that may come to this province who gets hold of a health care card. What I want to know, because you have them in your chart as either lost, stolen, replaced or deceased, and you made it clear when I raised this in the Legislature in October—the minister made it clear and seemed to be satisfied that the ministry has cancelled those numbers in the ministry computers.

But the fact of the matter is, if you have a card, you can get physician services in this province. There's no upfront verification. I want to know and I haven't been able to find out, and the auditor told us yesterday that he hasn't been able to find out how much money has been charged against those 1.4 million cards that either belong to deceased people, are fraudulent, are lost or stolen.

Mr Decter: I don't have a number for that. I don't know if someone here would have a number for that.

We can certainly take that question and try to get you an answer. But I think it's important to recognize that the 1.4 million inactive cards are not stolen or ineligible cards. The vast majority of those would be someone who's lost a card, had it replaced, he's an eligible person, and his eligibility isn't affected by having a second card nor, in our view, is an eligible person going to consume more health care simply because he's ended up with two health cards.

I think you have to be very careful in any kind of a multiplication of the number of cards that have been taken

out of the system against any kind of average use. But we will undertake to give you the best answer we can to that question at tomorrow's sitting.

1130

Mr Jim Wilson: I appreciate that, because I understand that it is possible to obtain that information from your computers. I think it's important for the committee to understand the extent of any fraudulent use, or the extent of the amount of money that's being charged to those cards that are in circulation. Without an accurate figure from your ministry, if we use the auditor's own formula, which is that on average Ontarians charge about \$1,400 each to their health card each year, if you take 1.4 million extra cards in circulation and you multiply that by \$1,400 per card, you have a potential fraud of just under \$2 billion. I would say the potential for leakage to the health care system is astronomical. That is an astronomical figure.

Before you comment on that, I also want to just go back to review history a bit. I think, to be perfectly frank, and I want to ask you the question, how you can come before this committee today, when the government, in its justification for this new health card system and for perpetuating the system that was brought in by the Liberals, says, "Well, it's better than the 25 million numbers we had out in the old OHIP number system." Now, I agree with that. But inherent in the new system is the fact that the eight-digit old OHIP number and the old OHIP database are used to verify the new cards that are issued. So how can you defend a system that in fact perpetuates the problems of the past, and you're still using it?

I see with the newest form that one must fill out to receive a new health card, you still ask for previous health numbers if any, and you're still using the old database which, by your own admission today, is flawed, as a verification tool. I'd like you to comment on that.

Mr Decter: Let me comment on both of them, but I'm going to ask Peter Burgess to speak to the first one. I think and I say that I think any attempt to multiply the inactive cards by some average figure will get you a huge number which is wholly inaccurate and unrealistic. Let me ask Peter. We did do a special survey to try to get at an estimation and I'll ask him to speak to it, because I think it provides a base for a much more realistic calculation of what we may be up against. Then I'll come back to your second question on the eight-digit number. Peter?

Mr Burgess: Surely. We have again in the analysis unit, as of yesterday morning, completed some 50 studies. These are clearly against a cross-section of the population and, as a result, the numbers, while accurate of and by themselves, should be treated with that proviso.

One and only one of those 50 studies was a point-of-service survey which Mr Decter alluded to in his presentation. That was a survey in the Windsor hospitals and Kingston hospital of people who had not yet received services. It was a voluntary survey. Some 750 people—who were clearly in need of services, because they were in a hospital to receive them—were asked prior to receiving that service for information surrounding their health card. In only five cases out of the 750 that were interviewed

were there grounds for suspicious use. Now I reiterate grounds for suspicious use.

In all of our studies, I have to say that we can clearly detect fraud. There is not a shadow of a doubt about that. There is some fraud. However, in all of our studies the percentage is significantly lower than that which is covered by the popular press. We have the report here; it is shortly to be released.

Mr Tilson: If I could just stop you at that point. You talked about, you're replacing the good-faith policy that used to be; in other words, all these numbers of OHIP numbers that were illegal, registered their canaries, everything under the sun, the allegations that were being made, terrible things. That's why you put this new policy forward, and yet you implement this new policy and just my own personal card has got my old OHIP number. I mean, I could be a canary. These guys'll probably say I am a canary.

But I guess my point is, and what Mr Wilson's trying to get out of you, when you look at the forms that you had people complete, the only real confirmation method that you have for almost every one of these cards that's out there is the previous OHIP number. So, you know, have you not replaced a good-faith policy with another good-faith policy, in fact the same good-faith policy?

Mr Jim Wilson: At a cost of \$39 million.

Mr Burgess: Without wishing to pre-empt my deputy, to address the issue of why the old OHIP numbers, it's purely to be able to go back against the history that we have collected for an individual over the past number of years to prohibit things like multiple hysterectomies or multiple services being charged against an individual that clearly are—

Mr Jim Wilson: But that's not the only use of the old OHIP number. If people filled out the original forms and gave you an OHIP number, you issued them a new card. That was the only verification system in place. Yet you admit you did that on a faulty and badly flawed database. So, you know, the new system doesn't make any sense. It got off on the wrong foot.

Mr Decter: Let me try on that. I think there were good reasons for linking the information we had stored against the old numbers to the new numbers and I think Peter has touched on that. We certainly didn't want to throw out all of the data we had, but if you think about this logically, we have only got—and I stress only—10.8 million on the database, so the vast majority of non-functional old numbers are gone. They're no longer there, so we have a job of getting through 10.8 down.

Mr Tilson: Stop right there. How are they gone?

Mr Decter: There is simply no eligibility attached to them.

Mr Tilson: But, sir, when you fill out these forms to get the card in the first place, you use the old number. How have you got rid of all these improper numbers that you listed or explained in your opening remarks that were in existence in the first place?

Mr Decter: Well, simply, there was no one there to apply for them, but the OHIP number is not the only identification that we're using with people when they register.

Mr Tilson: Do you know their name, their sex, their birth date?

Mr Decter: Their address.

Mr Tilson: Their address?

Mr Decter: Yes. And you know, as I've indicated, a lot of the work the branch is doing is now to tie into other databases, so that we can cross-reference that. Just on the same point, and Peter will clarify where we got this, but Julie has a note for me that 4 out of 72,000 deceased persons was the sort of ratio. Was that from Windsor?

Mr Burgess: If I remember the numbers correctly, we did a survey. There had been accusations of cards being utilized after individuals had died. There was an accusation that cards were being sold. We did a survey of some 77,000 cards that had been identified to us as deceased in our first exchange of information with the registrar general back in June or July of last year. Only some 4 cases out of those 77,000 looked like the services were being charged after the date of death, and in fact, on further review in those cases, there were clear, valid reasons for those claims. In one case, it was an organ donation made after death. Clearly, services had been billed by an individual after the registrant's death to take account of organ donations; and in the other, phone calls to appropriate providers cleared up a billing problem.

1140

Mr Jim Wilson: The point is, just to make it clear to everyone, if someone has one of those 1.4 million cards that are circulating out there, the extra cards, they can go to any physician or any hospital and receive services in this province, health care services, and that with your after-the-fact verification system the doctor won't know until his billing is denied, some 30 or 60 days later, that indeed that was a fraudulent card. Meanwhile, services have already been rendered and taxpayers have paid for that.

I want to ask you, because it was raised back in October, we had a Dr Keith MacLeod, an obstetrician, from Windsor who says that he has about 12 regular patients he believes live across the border in Detroit and receive health care services at his clinic. What have you done about that transborder health care shopping?

Mr Decter: I'll let Peter speak to the specific measures, but I'll say, and I've said this to the OMA president and their leadership, if physicians are aware of fraudulent use of cards, they have an obligation to make that known at the point of service. This is not a system that the government, with 22,000 physicians, is ever going to be able to police totally at the point of service.

The Chair: Thank you. Time has expired for the Conservative caucus. We have Mr Pat Hayes and Mr Noel Duignan.

Mr Pat Hayes (Essex-Kent): I'd like just extend that question that Mr Wilson raised here. There are a lot of people who have mentioned to I know myself and I'm sure many other members that are elected that there are people

who do come into this country and sometimes they come in here long enough to get medical treatment. Then you have the other people who come from the US, for example, that have cottages in some of our areas. We hear claims that these people are over here and using this system illegally and being able to get away with it.

I would like to know specifically what we are doing about this. Do you have an estimate on how many people there may be that are in both of these situations, people that come across the border from the US, for example, and those people that stay for the summer and take advantage of the system?

The Chair: We should force them to buy gas while they're here and maybe they won't come back.

Mr Hayes: You'll get your turn, Mr Chairman.

Mr Decter: We have put some particular emphasis on the border towns as a first search for people who, leave aside your summer visitors' issue, although I am aware that in some of the resort areas the hospitals receive significant revenue from billing out-of-country residents—the Lake of the Woods District Hospital in Kenora is a good example of that. There are clearly people who come for the summer that are paying for services as they go, but let me ask Peter to take you through our efforts to look at that.

Let me underscore here that we're early days on this and I don't want to oversell what we've been able to do to date. What we've been doing to date are a lot of investigations to see where our highest yield or our highest risk, if you like, might be, and also to clean up the easiest parts of the database to clean up, the deceased persons being a good example. Let me ask Peter to take you through those of the 50 investigations that have focused on the category you're looking for.

Mr Burgess: I'll try to summarize it. It's out of 50 analyses that our staff have done, all of which have consumed inordinate hours of analytical resources and countless hours of computer resources. We have touched on a variety of issues that have been raised here. We have done a survey following on the doctor's complaint, and I would reiterate the deputy's comment that if anybody has a suspicion, please call me in Kingston and we'll look into it.

We did do a look at births in Windsor hospitals and in fact we found less than 1% cases that were questionable following up on our analysis of the Essex county births. We took a control group elsewhere in the province and compared the control group, which was Perth, north of Kingston, and compared the questionable births following the same sample period of some three months, and while we had some questionable registrations in the Essex county area, they were twice the questionable registrations in our control group. Putting it the other way, the control group was half the problem.

These are early days. We have done a variety of studies of the population based on census in the various cottage and border areas and we suspect that the registrations with eligibility that we have on our database are within 2% of the—and in most cases lower than the census data.

So we have a number of studies, all of which point out areas for further analysis and for potential policy changes. I haven't been specific about any one of the 50 other than the births in the Windsor area, but I've got enough data to keep going if you want me to.

Mr Hayes: Really what you're saying is that if there are physicians who suspect, it's their responsibility to contact the system about these people?

Mr Burgess: If they contact me, we will look at it. We have had a number of tips to date which are in fact most of what our verification unit has been working on. We have a number in excess of 1,600—1,700 today, I believe—of cases that have been notified to us for a variety of reasons, either by physicians themselves or by neighbours or friends or concerned citizens, and we've looked into each one of those cases. In every one of the 1,700 that I mentioned we have terminated eligibility, notified the individual, where it has been possible to find the individual, and received the card back, and in other cases we have handed over the details to our provider services branch for further follow-up.

Mr Noel Duignan (Halton North): Welcome to the committee and thank you for the information provided to us today. I think I'd like to take up a point by Mr Wilson. Mr Wilson indicated that there are some million-odd cards floating around out there with the potential of error and misuse but, for heaven's sake, we had 25 million OHIP numbers prior to the implementation of this new system. We have come a long way and fair credit to the previous government who began to tackle this mess left by their previous government, the Tory party, which let the system go on unabated for 15 years.

Mr Jim Wilson: You're perpetuating it. You don't correct one problem in the old system.

Mr Duignan: We are correcting the problem.

Mr Jim Wilson: Name one problem—

Mr Duignan: You had your turn.

The Chair: Order, please.

Mr Duignan: The facts obviously hit home here, Mr Chairman. It is a good system and I think we can find a way to improve the system. I want to get at that: How can we improve the system? I want to—

Interjection.

The Chair: We can't hear Mr Duignan. Can we have some order, please.

Mr Duignan: I want to ask about, right now in a community somewhere in, I think, northern Ontario you're experimenting with a smart card, and also you're looking at a system with the health benefits card and this will be used by seniors and people who are on the drug benefit system. When they go to a pharmacy, as I understand it, you'll be able to swipe the system through and within five seconds coming back to the screen will be the answer whether this card is eligible, or the people are eligible for this particular benefit or not. Can this system be used anyway, even by the large users, with the health card?

Mr Decter: You're right on the two initiatives. Fort Frances is the community where we've got the pilot under way using a smart card. It's a relatively expensive technology—and I say relatively; the cost of the current cards was about 40 cents a unit; the smart card is several dollars a unit, maybe as much as \$10. So it's a road that would have significant cost if we went down it, not cost relative to \$17 billion, but it's somewhere between a \$50-million and \$100-million item. We want to make sure we know everything about it before we embark down that road.

1150

We haven't fully evaluated the Fort Frances experience. I was up there for a day last summer. The comments I had from providers were that it had forced them to organize their records in a way they hadn't before, so the major impact wasn't so much on the individual but it was on the providers, because now that all that information was on the card they had to have a backup of it in their own system. So it had caused the hospital, the clinic and the pharmacy to automate. We're looking at that and, you know, it would be a major decision to go that direction. We want to look at it very carefully.

The second issue you raised: Yes, the automation of the Ontario drug benefit program will mean that when someone goes into a pharmacy to get a prescription filled, the pharmacist will swipe their card or punch in their card number and they will have on a screen all of the prescriptions that have been filled against that number in the last 30 days or 60 days; my memory fails on how long a period that is.

That will have two impacts: First, it's going to save us a lot of overmedication on seniors at the moment, and this is a complaint from seniors' organizations. We pay for and overmedicate seniors to an extraordinary degree in this province by any measure. This will put the pharmacist in the position of saying, "I'm sorry, Mrs. Jones, I won't fill that prescription because you've had that same prescription or a similar one filled last week or yesterday."

It will also help us on the fraud issue. The auditor has identified individuals who go to multiple doctors, get multiple prescriptions and then get them filled presumably so they can resell the drugs. That will come to a grinding halt in terms of the use of a single card once we've got that automation done, and our target is next summer. So I think in terms of the billion-dollar drug program, we expect to see some significant impacts from that.

Eventually we'd like to link that to hospital emergency rooms, so when seniors come in or people come in who are under our drug program and they're not fully able to describe their condition, the physician can get a reading on what drugs they're taking in a similar fashion by linking to the drug database. That, we think, will improve care and save money.

Those are both important initiatives. I will tell you, I'm a little leery of the smart card based on what I've seen to date. There's a tendency to think of it as a panacea. It has many of the same difficulties as any card does and it has the additional FOI privacy consideration in that it will have someone's complete medical record on it, which

makes it a much more difficult card in terms of third parties trying to get at it. So we have some real concerns there.

The Chair: Sorry. There's no further time. I'm going to allow Dr Frankford one question and then we're going to go back to Mr Callahan for a round.

Mr Robert Frankford (Scarborough East): I'm surprised at the suggestion that there are many Americans who've come over here expressly to get free medical services.

Mr Robert V. Callahan (Brampton South): You can't get it in the US; you may as well come here.

The Chair: Order, please. Dr Frankford, just continue.

Mr Frankford: Well, of course, the reality is that the Americans are very used to paying large amounts there. They're used to spending the first half-hour of going to a hospital having their insurance checked out and possibly being turned away. So to think that their way of thinking would be that they want to see how much they can get away with here seems rather unlikely.

The mention of births again: How can one be sure when the birth is going to take place, or do you become a resident here? It seems to me that anyone can get medical services here. If they're not eligible then they have to pay. The implication seems to keep on being made that unless you are both eligible for Ontario health services and getting a service, you're committing a fraud, which is obviously not the case.

On the question of paying gas or taxes, why don't we make it clear that people may need to bring their own insurance or conceivably we should be selling insurance? If the figure of \$1,400 a year is mentioned, why not charge that as an upfront premium, which I think for an American is really quite cheap, and for seniors it might actually be equivalent to what they have to pay in addition to their medicare for seniors, which does not cover the whole shot.

Mr Decter: You hit a couple of important points. It is certainly the case that we provide care to people who are not eligible under our program and they either pay through their other insurance or pay cash on the barrelhead.

Certainly if you look to some of our leading hospitals, the Hospital for Sick Children has a lot of referrals internationally and from the US and is extremely well regarded. A number of our hospitals in border towns have significant revenue from non-Ontario residents, so that goes on.

But we have had a study done which we've now shared with the hospital association of whether we need to look further at that road. It poses some real dilemmas in terms of if we're stretched, and we are in some cases, to find the resource to provide all of the care that the people of this province need and want.

How do we deal with the queueing issue if we were to have others paying, and that's an issue that has some real significant potential for difficulty. So we've been cautious on it. We have had some discussions with the hospital association. As I say, we had a study done of whether a preferred-provider arrangement might work to utilize some capacity here. So I'm a little cautious on that issue.

But we do a disservice in suggesting that there are only people who are eligible and people who are taking advantage

of the system. There's a third substantial category of people who understand they're not eligible and in fact use other coverage or pay directly.

We've also in the most recent round with the OMA clarified the third-party situation, and this was, if I can be direct, an abuse that had grown up in the system. Health insurance never paid for things, it was never designed to pay for things like medicals for summer camp or other services that were not for reasons of medical necessity.

Nevertheless, we had been paying for a number of them over the years, and I think we've got some clarity and I know it's been a source of some concern, but it really is not a movement away from the principles of medicare. It really is a clarification that if I want to send my children to summer camp and the camp wants them to have a medical, that's something I should pay for and not something that the taxpayers of Ontario should pay for. We've had that clarity now, and I think it's an important clarity.

Mr Callahan: I'll probably carry on into the afternoon, but I'd just like to get into another issue, and the one that concerned me was the computer system that you use. We've received from the auditor's report information that over 12,000 Toronto data centre users could read an unprotected password for a powerful user code on the Kingston data centre and access registration information.

I know that in your response to it you say you've corrected this, but what I want to know is, and you may or may not be able to help me in this regard, you have a system in place—other ministries in the government have a system in place and I think most specifically I was saying yesterday of MTO, the Ministry of Transportation. If somebody had access to their computer system, if it's run in the same way this one was, they could change the suspension of a person's licence. In other words, if a person had his licence suspended for impaired driving for a year, they could just blip that right off the screen by hacking. What this tells me is that there are 12,000 people out there, 54 users who could circumvent existing access controls, which is astounding, 15 former employees who had worked on registration.

Mr Derek Fletcher (Guelph): That's better than the US State Department.

Mr Callahan: I find that to be extremely negligent. People yesterday on the committee said, "What could you change on the health card information?" I suggested, if you were creating cards—I'm sure it wouldn't be terribly difficult to create the card I've got in my wallet—you could change the information to correspond with the card. It's kind of like looking up tombstones for voters or for passports, as was done in the James Earl Ray situation.

Mr Frankford: Tell us about it.

Mr Callahan: In any event, I'd like to know what you've got in the mill, because I understand, from reading the newspapers, that the Treasurer's talking about letting IBM turn this thing into a—

The Chair: Your question, Mr Callahan, is?

Mr Callahan: What have you got on line in terms of making certain that this system remains sacrosanct? Have you got any type of chain of command where one person

might know a little bit and the other person would know something else, or are all these people going to have the same information?

Mr Decter: I'll ask Fred Hazell to comment on the security measures. I would indicate that my memory from briefing is that the access of the 12,000 was an extraordinarily time-limited event and it was corrected as soon as it was brought to our attention. Not just as a result of this auditor's report, but also as a result of the report by the privacy commissioner, we've tightened information access in our Kingston operation significantly. I'll let Mr Hazell speak to some of the measures.

Mr Fred Hazell: Just in terms of background, in terms of understanding the issue, our Kingston regional computing centre is run and managed by your CTS, computer and telecommunication services. It's not run by the Ministry of Health itself, that particular operation. What is being referred to in the auditor's report was that everyone within the CTS who had access to that facility had a generalized password which would allow him or her access into that system. That was changed once it was pointed out by the Provincial Auditor. So there was a one-time affair which was corrected.

Mr Callahan: I'd hate to think of a bank having a one-time shot like that.

The Chair: One question from Mr Tilson.

Mr Tilson: These cards are worth, I suspect, if there is a black market, a lot of money, if there are a lot of illegal cards out there. I guess I'm going to ask you to comment on a page in the auditor's report, specifically page 112, where it states:

"The ministry does not publish a listing of invalid or suspect health cards for service providers. Additionally, they do not provide a telephone call-in service for card verification."

So if you have a black market card or an illegal card, from your presentation this morning and certainly from the

auditor's report, there doesn't appear to be any system to stop this from continuing.

Mr Decter: We are setting up a telephone validation number. That's a commitment we gave the physicians when we informed them that we wouldn't pay on wrong version codes. I don't know if someone else at the table can tell me how rapidly we'll be there.

Mr Hazell: The equipment has arrived. It's being installed and we'll have a voice response system in place by the middle of March in the Toronto area. We'll be expanding that across the province.

Mr Tilson: What did that cost?

Mr Hazell: What did that cost? I don't have the numbers.

Mr Tilson: Perhaps you could get that, plus the information that Mr Wilson asked you, Mr Decter, this afternoon.

The Chair: One last question.

Mr Duignan: Just getting back to the questions I was on, you didn't particularly answer the question I asked. However, will the pharmacist have the ability to pull the card if the information on the screen indicates that the card is fraudulent?

Mr Decter: No. The pharmacist's obligation, I believe, will be not to dispense drugs against the card. I don't think we've yet addressed the question of whether we would ask them to retain the card. You raised a very good question and we will look into that. We certainly have asked other providers to retain ineligible cards and return them to us, and we've certainly asked consumers if they have an ineligible card either to destroy it or return it to us. But I don't know that we've addressed that.

Mr Hazell: It's a reporting system right now, rather than a retention of the card.

The Chair: Thank you. Time for this morning's session has expired. The committee will reconvene at 2 pm this afternoon.

The committee recessed at 1204.

AFTERNOON SITTING

The committee resumed at 1400.

The Chair: The standing committee on public accounts is called to order. This morning when we adjourned, we had completed a 10-minute round and a very short round of questions. I think what we'll do for this afternoon is—do you think 20 minutes is too long? Is 15 minutes better for questions and answers?

Mr Frankford: Fifteen is fine.

The Chair: Fifteen is a little better. Okay. Mr Callahan, we'll start with you. You have 15 minutes. You can go until 2:20, and that includes all the answers. Then we'll go to the Conservative caucus and then to the government members, Mr O'Connor, then Dr Frankford and then Mr Duignan.

Mr Callahan: There was a policy introduced by the minister whereby a person who didn't reside for a full six-month period within the province of Ontario would lose his or her benefits. That is a policy of the government, is it not?

Mr Decter: Yes. We moved from a policy, that someone will clarify for me, to the six months—

Mr Burgess: Six months plus a day.

Mr Decter: —six months plus a day, which I believe is the same basis on which one pays Canadian income tax.

Mr Callahan: In light of what we've heard and what we've learned from the auditor's report and some of the answers that have been given, how would you ever possibly expect to implement that policy? How could you do it?

Mr Decter: I'm not sure of the nature of your question. We've implemented the policy by indicating it to all the consumers and providers. In terms of how we police the policy—

Mr Callahan: That's right, yes.

Mr Decter: Well—and I would ask others to jump in and help—we certainly police it by monitoring claims, and claims made by people who we would have some basis to believe have been out of the country. We run into this mostly because—and let me deal with this one—if someone is out of the country, they are still eligible for our piece of the services. Most of our people who would be in Florida for part of the winter would simultaneously have OHIP coverage up to our limits and then would buy supplementary insurance, so this usually becomes an issue when claims are made. It would be at that point that we would have some ability to look at what period of time they had been out of the country. But if you are asking me whether we can perfectly police this, I think the answer is probably no. We rely to a considerable degree on people's good faith in this matter.

I don't know if anyone wants to add on the six-month residency issue.

Mr Burgess: Let me try to add something. Certainly we do not come from the perspective that you must prove at all times that you are a resident. However, in cases where we have grounds to believe that you are not a

permanent resident, have not spent six months plus a day here in Ontario, we'll ask you. One of the ways of looking at that is if, for instance, you have landed permanent status in the US. If you have landed permanent status in the US, the US government says you are there and must be there for six months plus a day. Clearly we have to ask, if you have landed permanent status in the States, are you truly a resident of Canada? We ask the question and then we take your answer.

Mr Callahan: What I'm getting at is that with all that we've seen with these cards and the limited control you seem to have over them in the fact that there are 1.4 million more that were issued that aren't, apparently, to Ontario residents, or at least recordable ones, how in the world are you ever going to possibly lift somebody's card or have any information on that person's card? As long as their card reads, "10 Main Street, Brampton," or whatever, how are you ever in the world going to know that they haven't disappeared to the US or some other country of the world with that card and come back for major health services? How are you going to do that?

Mr Decter: I don't think we can contemplate going to a situation in which we would be ever-present with people, but it's not as though there's a lack of documentation when someone sets up residence somewhere else for an extended period of time. Again, we are undertaking a series of initiatives. I guess the answer in part might be that we will have some continuing difficulty with individual instances of this sort.

Mr Callahan: I don't want to be pejorative, but I think you haven't got a prayer. You haven't got a hope in hell. In light of the fact that these things have nothing more on them than residency, or it doesn't have anything to pinpoint people being there, I don't see how you can police that policy at all.

In any event, I had heard rumours, and I'm sure others had as well, that cards were being rented. Did the ministry ever hear anything about that, that cards were being rented to people outside of Ontario for use by US residents, for rather large dollars?

1410

Mr Burgess: I suppose we've heard exactly the same rumours as everyone else. All I can say is that our efforts to track down that rumour and turn that rumour into fact so far have been a failure.

I referred this morning to an incident where a physician in Windsor had claimed in the press that he had some US patients. I failed to mention this morning that we in fact did phone that physician. He stated that he had been misquoted, that the situation that he was referring to had come from some number of years before and he in fact was not able to give us the names of any individuals who he thought were US citizens and incorrectly utilizing health care services in Ontario.

The Chair: That shouldn't be surprising at this stage.

Mr Callahan: I wouldn't be surprised at him saying that, either.

Mr Burgess: All I'm saying is that we are attempting to track down and turn rumours into fact, but at this point in time we have not been successful.

Mr Callahan: Okay. The second thing: Were there indications to the ministry as well that cards were being sold, ie by people who perhaps were granted one on coming to Canada and claiming status in Canada and not obtaining it and being removed from the country? Was there been any effort to get back those cards from them?

Mr Burgess: Again, if I can jump in there, in terms of individuals leaving the country, yes, we have an arrangement where if people locally leave the country, or at least leave the country in the care of an official—ie, being deported—we get those cards back.

The only case that I am personally aware of is a case that has come to court in the last two weeks where individuals from outside the country were charged with production and sale of health cards. They were paper health cards. They had clearly identifiably incorrect numbers on them. They would not pass the first stage of checking. The case is ongoing and I have not yet heard the results of that, but we have given that evidence at that case and that is the only case that I am aware of.

Mr Callahan: So these are the paper documents from which the plastic card initiative generated.

As was being said by my colleague this morning, the way you got a plastic card was you used the paper card, and you relied on that information. Were there any cards issued as a result of that, or did you detect it right off the bat?

Mr Burgess: There has been no card issued as a result of that specific case.

Mr Callahan: Have the police ever been called in on this matter?

Mr Burgess: The police were called in on this matter. In fact, the police asked us to testify at the trial two weeks ago, which we did.

Mr Callahan: No, I'm not talking about the paper one. I'm talking about the allegations that the ministry has heard, about the rental of cards and the sale of cards. Have the police ever investigated that matter?

Mr Burgess: Not to the best of my knowledge, because, as I say, I can't narrow it down.

Mr Callahan: So any investigation you're talking about has been conducted by the ministry itself.

Mr Burgess: In that particular case, yes.

Mr Callahan: Well, into the whole matter of—I mean, it seems to me that if we've got 1.4 million extra cards out there in circulation—

Mr Decter: Let me come back with that, because let's be very clear what the 1.4 million is. The 1.4 million are cards that were issued that are ineligible. We will not pay claims against those cards. So anybody's prospect of obtaining much service on those cards is, at this point, as of the first of February, foreclosed. So, one, most of them were issued to eligible people and they have been replaced

by subsequent cards; and, second, these are not valid health cards.

So I want to be very careful when people keep referring to 1.4 million. Five years from now, that number will be three million, because people will continue to be born and we will issue them new cards, and people will continue to move out of the province or die and their cards will go ineligible. So it isn't as though there are 1.4 million cards out there. That 1.4 million is the difference between the total issuance of numbers and the current valid listing of health numbers.

Mr Callahan: Are you telling me definitively that every one of those 1.4-whatever-plus million cards has been deactivated?

Mr Decter: I'm telling you that those are no longer eligible numbers against which this ministry will pay claims.

Mr Callahan: What about people who die outside of the province of Ontario and their death is listed with the Registrar General in that province? You wouldn't have any information about those people, would you?

Mr Decter: They wouldn't be part of the 1.4 million; they'd be part of the 194,000 that we indicated this morning we're still working on that are presumed ineligible, but we haven't tracked them down. What I'm trying to say is that the 1.4 million are, in essence, dealt with. It's the 200,000 that are the ones we presume to be ineligible that we haven't yet been able to track down and get off the list.

I don't know if I could bootleg an answer here to the question about our estimate of what fraud potential there is or if you want to have me hold. There were two questions at the end of this morning. I don't want to intrude on any individual member's time, but I do have answers to them.

Mr Callahan: If they weren't the ones I asked, I don't want an answer to them.

Mr Decter: Okay. I'll try and wait till we get back to whose questions they were.

Mr Callahan: But the 1.4 million: Are you saying that includes cards that were issued to such eminent people as dogs, cats and so on? I don't understand that. Someone came forward with a piece of paper, I gather. That was what triggered the issuance of the plastic card; isn't that right? That's the way I understand it. So somebody out there in this total number had a paper OHIP card that he or she used to trigger a plastic card, right?

Mr Tilson: Somebody named Fido.

Mr Callahan: The 1.4 million weren't all dogs and cats. They must have been human beings, weren't they?

Mr Decter: Let me back up and see if I can walk through this carefully. We have produced and issued 12.2 million cards to date; 1.4 million of those are inactive. Now, that doesn't mean that any of those 1.4 million were ineligible at the time they were issued the card; all that means is that as time has marched along, 1.4 million people have died, have been issued a new card by virtue of turning 65 or needing a replacement card or have moved away, and this will grow because of the continuing process of birth, death and movement. Over time, the 12.2 million will continue to grow, the 1.4 million will continue to grow

and our task and the task we've tackled is to get the 10.8 million—these are names on the database with eligibility, names for which we will pay claims—converged down to the level of the population.

We believe our problem is the 194,000 people whom we assume to be ineligible who still have eligibility, not the 1.4 million which, as far as we're concerned, is a dead issue, because even if they have a card, we won't pay a claim against it.

So we may have some providers who, in the first round, are not very happy about that. The reason we're setting up the call line is so they can verify those numbers. If they call in on the line when we have it set up next month and it says it's ineligible, then our advice is for them not to provide the service until they obtain an eligible card number.

Mr Callahan: Okay. Have the 25,000 paper OHIP things that were out there as reported by the auditor been either collected back or was it a condition that you hand in your paper card to get your plastic card or are the 25,000 paper OHIP cards still out there?

Mr Burgess: Is it 25,000 or are you talking about the 25 million health cards?

Mr Callahan: It's 25 million. I'm sorry I dropped a few zeros there.

Mr Burgess: No. The paper OHIP card with its eight-digit number on it was never handed in. The eight-digit OHIP number was used at the time of initial registration to receive the 10-digit health number and your red and white plastic card. That's the only use for that eight-digit number at that time.

Mr Callahan: So the long and short of it is that they're still out there in circulation.

Mr Burgess: But they won't do you any good. You can't take the eight-digit OHIP number card to a provider of services and get services.

1420

Mr Decter: It's not as valuable as last year's driver's licence.

Mr Callahan: No. I have to say that I think anyway that when your computer system was in the shape it was in where people could tap into it, they could very easily have tapped in and changed a number on the record of the computer, then simply changed the name or made an appropriate change and then taken the paper in and gotten another plastic card, could they not?

Mr Decter: Let's remember that 99%-plus of the people who reside in this province are eligible people, and that's a different issue than whether they have a valid health card. Is it possible that someone had somehow hacked into our system to alter their personal information to obtain a health card? I turn to Fred Hazell to talk about how easy that would be to do. I don't imagine it would be a very easy task.

Mr Hazell: Just as a point of clarification for this morning, the information I got in response to the question asked about security was that there was one individual in the group managing our computing centre in Kingston

who had coded a password into one of the programs. If we knew that individual had in fact coded the password and knew which program it was, we could go in and look at that program, pick up the password and then be able to access all the programs. That was the extent of the 1,200 in the security issue raised this morning. It was not a situation—

The Chair: Thank you. I'm sorry. Your 15 minutes have expired. Mr Tilson and Mr Wilson.

Mr Tilson: You commented this morning that you or Mr Hazell were now devising a telephone call-in service and you were going to tell me the cost of that.

Mr Hazell: I haven't been able to get that number yet.

Mr Decter: Actually, I was able to obtain it over the noonhour and I'll give it to you in a couple of components, reminding you that the initial thing will be in Toronto only. So this doesn't include line charges if we go province-wide with a 1-800 number. The initial cost will be in the \$50,000 to \$60,000 range. That will enable 30 concurrent calls to come in, and there's an access cost of about \$3.50 per port per month, so it's not a major dollar item, given the magnitude of what we're looking at.

I don't have a total cost, but to give you an idea, if we extend it province-wide, which I think would be our intention if it gets used in Metro Toronto, we'd have about a \$25-per-hour connection time to do a 1-800 number on it provincially. Having said as of February 1 to providers that we won't pay against ineligible numbers, we want to be able to say to them by mid-March, "You can validate numbers," and this is in addition to them having three years of data that they can go back through to determine appropriate health numbers for their patients.

Mr Jim Wilson: Mr Decter, perhaps I can ask what's changed in terms of the law from the time I asked the minister a question in the Legislature last October. I brought up the example of the Toronto doctor who had phoned your ministry suspecting a fraudulent card and was given a response by one of your officials that there was no way, given the privacy laws of this province, that he or she could be told over the telephone whether that was a valid card or not. So what has changed in terms of the privacy laws over the past few months, and what will change between now and March to ensure that you'll be able to do on-line telephone verification?

Mr Decter: I would have to go back and look at the answer my previous minister might have given in the House, so I'll be very careful without going back to look at that to give this answer. We believe that the service we will offer in mid-March does comply with the FOI and privacy legislation. If you'd like, I'd be happy to bring one of our people along tomorrow to specifically speak to that. There are some complexities in the FOI and privacy legislation.

Mr Tilson: I think we'll need that information, Mr Chairman. I know Mr Callahan was going along in a train of thought in that area as well, perhaps a different angle, but I think the freedom of information materials would be useful. If Mr Decter can produce such a person, we're not meeting until 3.

The Chair: That's 3 pm. The morning session has been cancelled due to the funeral services for Mrs Farnan.

Mr Tilson: That's fine. Let's assume you are able to answer Mr Wilson's question, which is an important question, because if you can't answer it, then you're not going to have a call-in system and the whole thing is unworkable. But let's assume for the moment that you are able to get around that—

Mr Jim Wilson: Can I just interject on that? Research has provided us with a copy of the Freedom of Information and Protection of Privacy Act. If you look at clause 21(3)(c), it says,

"A disclosure of personal information is presumed to constitute an unjustified invasion of personal privacy where the personal information relates to eligibility for social service or welfare benefits or to the termination of benefits levels."

I'd be interested in your legal opinion on that, because research has provided us with an unofficial opinion that you can't do on-line telephone verification.

Mr Decter: We will certainly provide you with the advice we are relying on to move forward on this. It is our view that we can do it, and it may have to do with the reality that we would be supplying the information to providers, but I don't know. There are obviously protections not only in the FOI and privacy legislation but also in the health card information privacy act itself, if I have that statutes name right. Being a non-lawyer, I would prefer to have our experts on this subject let us know.

Mr Tilson: I think we've indicated that we'd like to spend some time on that, and I trust you'll have people there. Let's assume for the moment that you can do this, that the information that is coming to us appears to be incorrect. So if you find out that a particular card is not valid, or for whatever reason, you've cancelled a card or a card is invalid or inactive or any of those reasons, what do you do?

You've indicated that you're not going to pay. The difficulty is, and I'd like you to clarify this, because the Provincial Auditor, on page 111 of his report indicated, "If an individual used an invalid card, the ministry would reimburse the service provider for the medical care and notify the provider that the card was invalid." Could you clarify that?

Mr Decter: As of February 1, we've changed our policy, and that is that we will no longer reimburse the provider on the first round. We will ask them to go back and obtain a valid number from the patient. Again, I don't want to overplay this, because we have issued new card numbers with new version codes. Our belief is that the vast majority of it is not fraud; it's simply physician or provider records that haven't been kept up to date. We think most of this will clear up with a simple phone call.

Mr Tilson: If a doctor or the X-ray people or the lab people goof, they're out of luck?

Mr Decter: Yes. They are out of luck, and in the first round they can certainly resubmit, and with automated billings they can resubmit within the billing cycle in the same month. So we think in many of these cases what will happen is the that provider's office, not the providers

themselves, will contact the patient and say: "We have such and such a number. Do you have a newer health card that has a different number on it or have you turned 65 or has some change taken place?" We think that of the 3%, most of it will clean up relatively quickly. But as I said this morning, this is a new policy as of February 1.

Mr Jim Wilson: Why did this policy take so long, when you've had over a million cards in circulation out there?

Mr Decter: I can't really answer why February 1 as opposed to January 1 or last October. I will say that the extent of these issues is something that we've come to know a lot more about since we've set up the branch that Peter Burgess had in May, so we've been undertaking a series of actions. We felt that we wanted to move the automation project for billings along some distance before we added the issue of the version code. For those who feel we're going too slow, you might want to invite the OMA in here and it will tell you, chapter and verse, why it thinks we're going too fast on this issue.

1430

Mr Jim Wilson: I just wanted to ask you that. How are things going with the OMA in terms of asking doctors to help police the system?

Mr Decter: I think that at the level of principle, they're generally supportive. They don't like the timing—they think it's too fast—and they would have liked the on-line verification in place before we moved to the non-payment.

Again, it's a balancing act on all of these things. We're of the view that most of the problem will clear up with a little bit of clerical and secretarial work at the physician's office. If we're right, then by the time we have the verification in place, we'll be down to the much smaller subset of ones that have real problems. If we're wrong, we may have a large number of unhappy physicians on our hands.

Mr Jim Wilson: Is that fair to physicians, though, in terms that the government created the system and they're stuck with it? It's not their fault you issued 1.4 million more cards than there were people. Now you're asking them to—

Interjection.

Mr Jim Wilson: A fairly heavy-handed approach to policing the system.

Mr Decter: I don't think so. We're asking physicians, after all, to look at about 3% of their claims. I tried to make the point this morning that medicare in Canada and in Ontario is a tremendous administrative bargain for our physicians. The enormous overhead they have in the US, by comparison, is something we carry here. They have a single payer. They have really no bad debts historically. I don't think it's too much to ask. It is an additional burden and I think it will depend a lot on how easy it is for their offices to deal with this issue.

I've had a few letters, a handful so far, on the issue, and we've agreed with the OMA that we will discuss it at each of our joint management committees monthly and see how it goes. But I don't think we have an alternative. As I

say, I think overall our system imposes far less administrative burden on the physician than virtually—well, certainly than the American system, with multiple payers. I don't think this is too much to ask in a time of great fiscal and other difficulty for the province, for physicians to help us clean up this aspect of the situation.

Mr Tilson: Mr Chairman, if we could continue, I guess that's what it gets down to, is that there's a certain urgency to all of this. The Treasurer keeps telling us how broke we're getting, and the health budget is a third of our budget and is more than the total budget of many provinces across this country, so it's a serious crisis that we're in.

Clearly, the auditor's report has revealed a very open-ended system to start up for getting health cards. You've responded by saying that you're closing some of those up, and I appreciate that, as late as February 1. But we need to know more. There are no expiry dates. Do you have any plans to improve on the qualifications or correcting what has happened? My understanding is that if you want to get a health card, all you need is a birth certificate; that's all you need. I got my health card over the mail and I suspect that most people in this room got that. The person who gave me the health card had no idea who I am.

Mr Callahan: We know, though.

Mr Tilson: They have no idea who I am, and I suspect that that's been fairly consistent. It's very easy to get a birth certificate. It's very easy—that's been established—to get birth certificates.

There doesn't seem to be a process for two pieces of ID. There doesn't seem to be an expiry date in the works. I mean, the bank cards all have expiry dates. My card, it appears to me, is good for life, notwithstanding the fact I may become a non-resident for a period of time. I may become a non-resident, I may go work in another country, but I can come back and I can use this card and there's nothing to preclude me from doing that. I could die and my next of kin could continue using this card in different ways. There doesn't seem to be any process of stopping all the very serious allegations that have been made by the Provincial Auditor, by the press, by members of this committee.

As a member of this committee, what I'm asking you is, what are your plans? Because the card you have isn't going to work. The comments about the freedom of information—even if that issue is put aside, it's still not going to work. So my question is—and this issue has been on the table since the Provincial Auditor presented his report—what do you have in the works so that we can have some reassurance that this unbelievable cost to our health service isn't going to get out of control? Because if we don't move fast, we're not going to have a health service.

Mr Decter: Let me be a little balanced about an answer here, because I think it's a mistake to think that the problem isn't being dealt with or that we haven't taken very seriously the advice of the Provincial Auditor. What I've spent most of the day so far describing are a series of actions that really constitute our response to the auditor's report, and I've indicated that we are not done.

I would parenthetically note that we are, having printed our health estimates for the current year, just under 2% above last year. We are spending then under 1% above last year. It will be the first time, I believe, in the recent history of the province, certainly the first time since medicare, that health costs have gone up less than inflation. I would say that we in the ministry think that we're taking very seriously the challenge of managing the system.

But let me come to the issue before us: What are we doing to tighten down the system? First of all, I think that the move to a unique identifier was the right move, and although there are still some tougher measures that need to be put in place, I think that we're going in the right direction: that the reregistration was right, that the issuance of the cards was right.

What else are we prepared to do? We are, on application, requiring original documentation, although we're still accepting photocopies on mail-ins, and we're reviewing that policy. So we are getting tougher about what we want to see before we'll issue a new card.

We are working with the registrar general to integrate birth registration. We are working with Immigration Canada because immigration is a major source of new people coming into the system and we need to tighten that. In terms of card controls, we are looking at an expiry date and we are looking at photos. We haven't come to a conclusion on those yet.

As you can imagine, we've been trying to go at what we see as the highest-yield areas first. Those have, in our view, been tightening down the existing system and, frankly, taking a tough decision not to pay claims against invalid numbers. That's a very big decision. I don't want to underestimate the amount of controversy that may yet cause us with the provider community. That's a very major step, to say we're very serious about making progress on this, and we expect that will cause a large number of invalid cards to come out of the system and will get us some significant progress. We won't know till some time goes by.

We're looking also at what are called "swipe card readers." The current card does have sex and birthdate on the mag stripe. We're looking at putting swipe readers into the high-volume areas—hospitals and clinics—so that a hospital can swipe your card when you come in and it can see if you look to be a 16-year-old female or if the gender is wrong or the birthdate seems at variance. We in essence have more information on the card than we're currently using at the point of service. So while putting swipe readers in 22,000 offices would be an expensive proposition, we are looking at hospitals and major clinics.

The Chair: Okay, we have Mr O'Connor, Mr Frankford and Mr Duignan.

1440

Mr O'Connor: We certainly have had a really interesting discussion here. I guess we could take a look back at the 1987 audit and the information you've given us. Looking at the client identification, you said that there are 25 million participants on the claims file. The interesting thing, I find—I have to commend you for trying to integrate

the post offices, integrate with Immigration and the registrar general, because that should help us bring the numbers down to a more realistic point.

I guess my pet peeve and something that constituents always bring up to me as an MPP is the fact that they've got these little cards from every hospital they have ever gone to. Of course, encoded in that little card that they have got has been the OHIP number. So if we take a look at past practice and look at 25 million possible, well, I think that that number could possibly be 150 million, because when you multiply that times every one of those little plastic hospital cards, there have been OHIP numbers floating around this province by the millions and millions, hundreds of millions. So I think that moving to this new process is going to eliminate some of that.

Has there been an attempt to integrate with the hospitals—perhaps the avenue to do it is through the swipe cards—to get them to eliminate this practice of having that little plastic card that uses up somebody's staff time? Somebody sits in each hospital and punches up one of those little plastic cards, and if you didn't happen to bring it with you, then the next time you go they're going to sit there and they're going to punch up another one of those little plastic cards. So not only do we have maybe some concern here, but we've got an awful lot of waste in the system there: millions of those little plastic cards floating around.

So my question is, has there been any discussion with them to try to integrate them, or can we try to improve that system?

Mr Decter: There hasn't been a lot of discussion. They were obviously involved in the pilots in Windsor and in Kingston, but we have wanted to have something concrete to discuss with them, and I think the swipe reader option is the one that we're going to talk to them about.

I agree with you that there is a great deal of extra work in the hospital patient identification. A lot of hospitals are only now getting to one number, you know, so that when you're in the hospital they don't have a separate record for you in X-ray or radiology, a separate record on the ward, and a separate record somewhere else. So some of the hospitals are well ahead of others, and I've been before the committee before on at least some of the issues around computerization in the hospitals. The OHA are very keen on us putting more investment there. We've agreed to allocate our \$10-million hospital initiatives fund for the current year entirely towards improving information systems in the hospital sector, but there's a huge distance to go here. Hospitals have operated independently. They have issued you, when you come in, with a new number unique to that visit to the hospital, and we've got a lot of work to do on that. It does strike the ministry as well as individual patients as a redundancy in the system.

Mr Frankford: Yes. I have this initial registration form in front of me here, and I notice that in the fourth line, citizenship status, there's a check-off box for North American Indian. Now, my understanding is that North American Indian health care is actually the responsibility of the federal government.

Mr Decter: In constitutional terms, that's true. I think in historical terms, Ontario has tended, along with the federal government, to provide service to our aboriginal people in the province. We have—how shall we put it?—a mixed history with the federal government. There are parts of the province in which they pay the majority of costs for nursing stations and for hospitals in aboriginal communities. There are other cases where the province has gone ahead and provided service. So I don't believe at the moment we have an overall effort to rebill the federal government. Our success in claiming things from the federal government that we think are their responsibility has not been enormously successful in recent years, so we have not denied anyone coverage on the basis of that issue.

Mr Frankford: But it would seem to me that with this information you have on your database, you could pass on the claim.

Mr Decter: Yes, there's no question. I had a meeting as recently as last week with my federal counterpart, who's relatively new to his job. We talked about two aspects of this: our concern with appropriate cost-sharing, but also our very deep concern that in some of the aboriginal communities proper immunization is not being done, and that poses a health risk, both in those communities and generally.

Mr Frankford: I noticed on this chart on eligible registrants who apparently don't have cards yet, you've got 39,000 natives—

Interjection: Underenumerated.

Mr Frankford: —underenumerated. If I use the \$1,400 figure, which I believe in fact is an underestimate, because I thought that the per capita cost was more like \$1,600—

Mr Decter: Not all of it is on insured services. We actually spend, in total, about \$1,700 per capita, but some of that is in programs, like public health that aren't on a population basis.

Mr Frankford: Okay. Using the \$1,400, I calculate that's \$54 million which one might state is the responsibility of the feds.

Mr Decter: It's possible to construct a rather large number, in terms of what costs the province bears, that are costs pertaining to health care for aboriginal people. Again, I'd simply reiterate it's not a new decision. I had occasion to ask Dennis Timbrell why certain provincial expenditures were in place. He said he became tired of waiting for the federal government to do the right thing and went ahead and made those investments.

I think that is part of the history of this province, people not being willing to catch the aboriginal population in a jurisdictional tussle. But will the new registration help us to make a good claim? Yes, we will be able to make a more forceful case as to what services we're providing.

Mr Frankford: Just one final question. As a practitioner, if there was some easy way, if there was, say, an initial number or a combination of numbers which identified a native person, this could be helpful. My understanding is that the feds are responsible for the costs of

prescription drugs, so this might be quite helpful in deciding appropriate treatment.

Mr Decter: Yes. I just note, on that, that Quebec has taken a much more organized and aggressive stand towards the government of Canada on certain aspects of the costs of new immigrants, refugees, and has had some success in claiming. We currently have some work under way with Citizenship to look at whether we can make a parallel case.

It's aided in Quebec because it's also taken over administration of a good chunk of the front end of the immigration system, so it has a much better ability to know what its costs are. It's not an issue that has been before the cabinet, so all I can tell you is that we're working on it. I don't know where the government will eventually go but we do face a rather steep bill for new arrivals to the country.

Quebec has taken the view that if it agrees to accept the new arrival, then after a certain period the costs should be borne by the province. But where it's overruled by the federal government, for example, on a medical inadmissibility, where the federal minister issues a permit to allow someone to stay, Quebec takes the view that if the federal authority has decided, then the federal authority should bear the cost. They're having some success in pressing those claims.

The Vice-Chair: Mr Duignan, you have five or maybe six minutes.

Mr Duignan: I want to talk a little bit about the security aspect of the computer system in Kingston. The auditor identified:

"Over 12,000 computer users could potentially access and change registration information without authorization. This included over 12,000 Toronto data centre users...; 54 users who could circumvent existing access controls; and 15 former employees who had worked on registration.

"We also determined that a weakness in the implementation of the security software would allow any of the almost 1,800 mainframe users to disable access controls entirely."

I know you have tightened up on some of those aspects. I'm just wondering, could you maybe update us on where you are now? Have all those problems identified by the auditor been addressed and the problems now controlled?

Mr Decter: I'll ask Fred Hazell to speak to that. Again I would stress, though, that the access by the 12,000 was corrected, I believe, within days of it being brought to our attention by the auditor during the course of the audit, so it was something that was addressed very rapidly. I'll let Fred speak to the rest of the package.

1450

Mr Hazell: As the deputy mentioned, the problem was corrected and we now have about 30 or 34 individuals who have access to the system. That's the number we keep looking at to make sure that those individuals do need access to the registration system. We only want to give individuals access who must have access because they're actually working on the system, or in the program area they need access to do their jobs, to do the analysis required on that system.

Mr Duignan: That leads to the question of the password. Originally, the resource access security facility had a

default file. That would mean that the password didn't come up on the screen, but that has been changed and the password now comes up on the screen. Anyone working on a system can lean over somebody and see that password on the system. How's that being addressed, and why was the default value changed to allow the password to come up on the screen?

Mr Hazell: I think that was human error. I think I mentioned before that a big part of that problem was that someone had coded a password in a particular program which could be seen by anyone who knew it was there and hence have access to the system. That was corrected.

Mr Duignan: Has it gone back to the default system?

Mr Hazell: No. Now you have to actually put something in but you can't see.

Mr Duignan: So that has been corrected.

Mr Hazell: That's been corrected.

Mr Duignan: Okay. That's good to know.

Mr O'Connor: Mr Chair, can I put on the supplementary—

The Vice-Chair: Mr O'Connor, same supplementary.

Mr O'Connor: I guess one concern I've got is viruses, and I think that kind of blends with what you talked about. Is it possible that a virus could get into the system and then, "There we go; we've just lost this entire database"?

Mr Hazell: It's always possible. We sweep our systems for viruses on a regular basis. I think we check for about 21 different viruses that we are aware of. It's something which is ongoing, and our security people do take those precautions on a regular basis.

Mr Decter: Mr Burgess has just passed me a note saying that he can't get access to the system, which gives you some idea of how restricted it is, since it's his branch that has responsibility for working through this. I presume some of your people would have access if they have a need to have access.

Mr Burgess: I think it's fair to say that occasionally we complain bitterly about not being given access to what we perceive is our data. However, I think it's an illustration of the fact that security is not just a word that's bandied around and that the actions since the Provincial Auditor's report have been taken very seriously.

Mr Duignan: The question of the 15 former employees who had worked on the registration system: All but two of those 15 people have been identified, and the two that have not been cancelled out are for persons who are basically working for the minister at this point of time. That leaves the 13 other people—did they at any time breach the security of the OHIP number? Did they use that access wrongly? Was there any follow-up?

Mr Hazell: We have no evidence that there was a breach of security. We had a situation where, again, if you had specific knowledge and knew what you were about, you could get into the system; no question about that. But we have no evidence that security was breached.

Mr Duignan: Okay.

The Vice-Chair: Mr Perruzza, you had a quick question.

Mr Anthony Perruzza (Downsview): Yes, a very short question, and mine has to do more with access to confidential files. If someone does access a file, whether he has legitimate access or not, does he have to sign off before he closes the file so that there's a documented fact that someone has actually looked at a personal, private medical file?

Mr Hazell: This is a computer record.

Mr Callahan: How would you know if they hadn't?

Mr Perruzza: Well, a computer record or a hard file. When you access someone's file and you're looking at their medical history in terms of billings and what have you, when you have to exit, is there a mechanism by which you have to sign off and say, "Yes, I looked at it," and there's a log-in for the amount of time that you were actually in the file and that kind of thing? Is there a mechanism for it?

Mr Hazell: On the computer side, our database administrators can trace what someone did on the system. You have to sign on and identify yourself. We can tell what you've done on the system.

Mr Perruzza: And there's a record of that.

Mr Hazell: There's a record of that.

Mr Perruzza: Then how about actually a paper file? Does the same principle apply to personnel who have access, legitimately, to those files as well?

Mr Decter: I'm not sure what files those would be. We don't have paper files.

Mr Perruzza: If you looked at it for a medical history or something in a doctor's office.

Mr Decter: These are all kept, and I guess this was a significant issue with the committee inquiry into what I guess I could only call the Martel inquiry. There was in fact—and that situation hasn't changed—no paper file to be accessed. These records are kept in electronic form and there is a record of who logs on and from where and what they access. There are not paper files on individual patients or individual physicians anywhere in the ministry.

Mr Tilson: Someone took a lie detector test—

The Vice-Chair: Order, please. I have to move on. You'll have another rotation. I'm going to use the Chair's prerogative to ask one question, if I may, Mr Callahan, in rotation.

I just want to pursue the matter with respect to photo IDs, the Quebec model that's being implemented. Did you say earlier that you were actively pursuing this as a system that might be considered for our province, or is this something you're interested in but you're not really pursuing?

Mr Decter: I think it's in the category of something we want to understand more about, what it's cost Quebec and what benefits it sees from it. At one point a group of our people were going to visit Quebec. I don't know if that's happened or is going to happen. Maybe Peter can help me out there.

Mr Burgess: We have not yet visited Quebec. In fact, we have asked that a meeting be held, preferably in Kingston because some of us are resident in Kingston, of representatives from all of the provinces with—

Mr Callahan: It's the city you're talking about.

Mr Burgess: City, sorry—with all of the provinces that have an interest in registration and registration concerns, and we all have them. We have a number of alternatives that we have already studied in terms of expiry dates, photographs and other forms of identification and an options paper has in fact already been submitted, out of my group, to our assistant deputy minister as a first draft. But to reiterate again, no, we have not yet been to Quebec, deputy. We're hoping to get Quebec and every other province together.

The Vice-Chair: So you're not averse to having a system whereby photographs would be required.

Mr Decter: No, we're quite open to anything that would be an improvement, understanding that we need to balance the cost against what we think it'll gain us. There is some advantage in having someone else go first so that we can evaluate their experience. But no, let it be very clear that I'm not here to tell you we think the current health card is the end of the evolution. We're very interested in anything that can improve our ability to manage the system. If that's a birth date or an expiry date in a cycle or if that's a photo, we're wide open to that. We're just not there yet in terms of coming to a conclusion on the issue. It's going to be a few more months.

The Vice-Chair: There's just one final point I want to make. I thought we as a committee perhaps, coming on the heels of this, would be making recommendations, looking at ways in which you could improve your system. That's something that I would consider looking at as a committee. Obviously that's one of the many ways in which we could be inclined to improve the system. So I'm glad to hear that you're not averse to that and we'll pursue it. Mr Callahan.

Mr Callahan: Yes. I want to go back just to clarify something. You'd indicated that the good faith policy had been terminated as of February 1, 1992. Am I correct in that regard?

Mr Decter: In 1993.

Mr Callahan: In 1993, yes. But prior to that—I just want to be clear—was the policy that you would pay it and then you would tell the doctor, "We won't pay any future claims"? Is that the way it worked?

1500

Mr Decter: We were paying them on the wrong version codes and sending back with their remittance advice an indication that the version code was not correct. We sent out a bulletin as of January 15 indicating that: "The ministry will only pay claims submitted with a correct version code. Claims without valid version codes will be returned to the provider for correction and resubmission." We added the note, "Automated providers may often be able to correct and resubmit claims within the same billing cycle," so there's an incentive for them to get it cleaned up.

Mr Callahan: I want to pursue the computer aspect. I recognize that as soon as the auditor identified it, you corrected it. I think the thing that scares the heck out of me is twofold. First of all, we hear the Treasurer talking about selling all the computers in government and leasing them back from some computer company. That scares me in terms of how you maintain confidentiality, but it does have one good prospect to it: that you might all be on the same computer system.

It's a little different, maybe a little far afield from what we're talking about here today, but I think really what we're talking about is proper management of money, the services for residents or the taxpayers in this province and also the terms of collecting taxes from them. When I look at the scandalous activity that's been going on with the tickets—you know, I always figured that for the last five years, when you paid for your licence plates, you couldn't get your licence plates unless you paid all your tickets, and here we see this outrageous statement being made that unless you can prove that you paid them, you'll have to pay again. If you did that out in the private sector, that would be called theft. When you do it in government, I guess it's called promulgation of policy.

But the concern I've got, and maybe you're trying to follow where I'm going to, is the fact that I'm told the reason that happened was because MTO—

Mr Perruzza: We're having a little trouble following you, Bob.

Mr Callahan: That's all right. Just listen; you might learn something.

MTO and the Attorney General's department couldn't get their acts together in terms of the computer systems. I can't believe that any successful company would ever carry on if everybody had their own computer system and their own program and their own way of doing things.

I suggested this morning that what the auditor has identified in your computer system—which you've corrected, and I applaud you for that; I'm half tempted to send him out to look at MTO's computer system. MTO's computer system would be far more serious than your system if it was tapped, since it could eliminate some guy's suspension for impaired driving or it could eliminate his demerit points or what have you. It's got a very significant feature, and I gather that your system is entirely different than MTO's.

Mr Decter: I don't know if it's entirely different. You have to be careful about describing it as our system. Our data system is operated for us by the Ministry of Government Services. So while it's our data and it's essentially our software, it's their hardware, if that's the split.

Mr Callahan: You obviously know a lot about computers. Is that the same thing with all of the—

Mr Hazell: Each ministry has its own arrangement. Ours is leased and managed by the MTO.

Mr Callahan: So MTO may not necessarily be with Government Services. That concerns me, and that may be my next endeavour, to have the auditor go in and take a look at particularly the Ministry of Transportation. That's a very lucrative field if that ever happened. You could get your demerit points erased or your suspension erased.

The other aspect I'd like to ask you about is the question of the Americans. Your key indicator seems to be residency, and I think one of my colleagues over there may have either asked you about this or alluded to it. If a person has a residence in Ontario, if he owns a piece of land or has a cottage or is maybe giving as his address a business address, does that mean he can get a card? Would that be sufficient residency for him to obtain a health card?

Mr Decter: I believe we're looking for evidence of citizenship or ability to maintain permanent residency, not simply that someone had been here for a period of time.

Mr Callahan: Is that on the form you gave us this morning? Is that the new form that's now being filled out? I guess it is, down on citizenship status.

Mr Decter: Yes.

Mr Callahan: That definitely has to be filled in, does it?

Mr Decter: I'll ask Peter to go through the three criteria for eligibility which would be assessed here.

Mr Burgess: The three criteria for eligibility for health care in Ontario are you must be (1) legally entitled to be here; (2) you must make your home here; and (3) you must ordinarily be present in the province. It's that "ordinarily present" that has been interpreted through policy as being present in the province of Ontario for six months plus one day. Those are the three sets of criteria.

Mr Callahan: What happens if you get sick before the six-month period?

Mr Burgess: As I said earlier, we're not down to the edges there, but if it appears that you live for 12 months or 10 months of the year outside of Ontario, we're going to ask you to prove that you are a permanent resident of Ontario.

Mr Callahan: That's assuming you've lost your ticket, as it were, and you're getting a new one. If you're just coming in for a new one completely, that doesn't matter, I gather.

Mr Decter: You would not be able to succeed on this application by leaving that field, this part of the document, blank. You would have to answer it one way or the other and provide documentation. As I indicated earlier, if that documentation were being mailed in, we're still accepting photocopies. If it's being walked into one of our offices we want to see original documents, and we're reviewing the mail-in policy to see if we should move that to original documents as well.

Mr Callahan: So you haven't gone the step that the passport office has, where it requires people to come in, walk in off the street and show the original documents?

Mr Decter: No, we haven't gone that step yet.

Mr Callahan: But what about a person who comes to this country by whatever means and is retained in custody pending a hearing? They obviously have health care coverage right from the minute they arrive here, do they not?

Mr Decter: We have provided some money, significant money, to the community health centres in the province which provide care without a health card—they're not on a fee-for-service basis—to address some of

those populations, but I would have to defer to my colleagues on the exact status of—there are a variety of statuses people could have on arrival. As is made clear in this document, “tourists, transients and visitors to Ontario are not eligible” for coverage.

I don’t know the status of someone who is in the process of being deported for being here illegally, whether we would provide care or not. The one underlying principle of the system is that no one has the right to refuse urgent or emergency care. I think that’s pretty fundamental. There is no ability on the part of a hospital or a provider to turn someone away who’s in urgent need of medical attention on the basis of an ineligibility. But given that the vast majority of interactions with the health care system are not of an emergency nature, we can apply the eligibility issue.

Mr Callahan: You’ve certainly helped me, because it was my understanding that a person, upon entry to Canada by whatever, got a health card and was eligible for health services. That was my understanding.

Mr Decter: Do you want to try that one, Peter?

Mr Callahan: Is that not the case?

Mr Burgess: I’ll give it a try, but remember that this is not my field and I’ll gladly get—

Mr Callahan: If you feel uncomfortable about it, maybe you can get me that information, but that’s my understanding.

Mr Burgess: We will clearly get you the information, but as far as I understand it, the issue is being legally entitled to be here. If, for instance, you are legally entitled to be here and you have not yet gone through the refugee process with the federal government, we will still cover you for health care under the Ministry of Health, and as such will issue you with a health card, and there are a variety of specific issues that—

1510

Mr Callahan: Just one final question. What about the situation of person who have been ordered deported but have appealed their deportation and are out on bail pending the hearing of the appeal? Are they covered?

Mr Burgess: In that particular case, as I understand it—and again I’ll double-check—that individual is still legally entitled to remain in Canada while awaiting his final deportation hearing, so as such he is covered.

Mr Callahan: He’s within the 10 million cards that are acceptable. He’s part of the population.

Mr Burgess: That’s absolutely correct.

Mr Callahan: He must have been counted by Stats Canada then, because you’re matching Stats Canada’s figures.

Mr Burgess: He may or may not have been. If you look in detail at our reconciliation, you will see there are some areas that Stats Canada counts and we don’t, and vice versa.

Mr Callahan: Thank you.

Mr Decter: The chart that had been tabled earlier, the refugee claimants—some 23,000 were people we added to the population who aren’t in the population estimate but

are eligible. So there are people who are in the province and eligible for coverage on our policy who are not part of the population of Ontario for Statistics Canada purposes.

The Vice-Chair: Mr Wilson. I have to move on.

Mr Gary Wilson: Thank you, Chair. I note that the Provincial Auditor has been sitting patiently all morning and this afternoon, so I thought perhaps I’d take this opportunity to ask Mr Peters a question.

Mr Peters, you wrote in your annual report, under the section entitled “Justification,” that, “The ministry had not proven that the registration system and process were the most workable and cost-effective solution, nor could it support \$137 million of the \$150 million in estimated project benefits.”

Since writing those words, have you heard anything today or in the last little while where the ministry has shown that it is able to show an effective cost-benefit analysis of this new card system?

Mr Erik Peters: I have not, but I’ll ask James if he has anything.

Mr James R. McCarter: No. I think our concern was that it wasn’t specifically itemized as to where the \$150 million was coming from. We haven’t really gotten into that today, but nothing that I’ve heard yet has been to serve the specifics.

The Chair: Sir, can you speak up?

Mr McCarter: I haven’t heard anything that’s gone into the specifics of \$150 million, and that’s what we were looking for.

Mr Jim Wilson: Perhaps Mr Decter would like to take a crack at that for the record, in terms of explaining to the public the cost-benefit of this new system.

Mr Decter: The cost is, I think, fairly easy to quantify to date; it’s on the order of \$40 million. We are continuing, obviously, an investment with the branch that Mr Burgess heads.

In terms of the benefit stream, I think it’s only going to be with the passage of some additional time and implementation of these measures that we can accurately document what the benefit stream has been, and even there, some of it’s going to be a little elusive to get at. We suffer from what I guess the political scientists call a priori over determination, which is that we have a declining utilization and we have multiple causes that one could point to, and so delineating what contribution the new health cards have made as distinct from other things is difficult.

I would express to you a concern, and it’s not limited to the ministry that I now head; I’ve had experience in hospital settings and other settings. People tend to overstate the benefits of automation and they tend to be very loose about their documentation. We’ve changed that policy in the ministry and I think you’ll see, in future projects, a much tighter justification on the front end. The first one, where we’ve set out I think more modest expectations, is in the automation of the drug benefit program.

I think my answer’s really twofold: It’s too early to fully document the benefits, and there will be an aspect of those benefits being difficult to document. I can tell you

that I genuinely believe they will far exceed the \$40 million that it cost us. But can I give you a detail on \$150 million of benefit? Not at this point. I think a year from now we'd be in a better position to give you a good estimate of it.

Mr Jim Wilson: It disturbs me that if we look at some of the political record on this, we had my leader, Mike Harris, suggesting in June 1990 that the system be scrapped and that the government cut its losses. We waited for, and we're still waiting for, the cost-benefit analysis of the system to justify it to the taxpayers. You must have had some basis when Frances Lankin went to cabinet as Health minister in mid-1991 and got another \$6 million to pump into this registration system. You must have had some documentation before cabinet, some numbers presented there that would justify pumping in another \$6 million and not cutting your losses at that time and starting over with a more effective system. Do you want to comment on that?

Mr Decter: The extension of the budget in March 1991 to, in essence, finish the job I think was really justified on the basis of what had been encountered along the way. It didn't represent a revisiting of the original decision.

I still think and I've said that the original decision was the right one, and I've been through all of the historical documentation. As you'll be aware, much of this happened before my time, which is only to say that you have to read between the lines a little bit in some of the documentation to fully understand it. But I don't think we had a choice whether this is the best system. By the time my previous minister went to cabinet, it was a matter of finishing a job that was well down the road.

I think we are seeing benefits. I would differentiate between being able to quantify those benefits in a detailed way and those benefits being absent. Without the investment in unique health identifiers, we would be unable to take the steps we're taking to tighten the system, and those steps will yield significant benefits to the province.

Mr Jim Wilson: Can you just give us an example of one step that would tighten the system or of an individual identifier?

Mr Decter: One of the areas in which we've had some impacts to date is that we pay health service organizations on a capitation model. These are physicians' practices where, instead of paying fee-for-service, we pay them a certain amount per enrolled person. With what we call the cleaning up of the roster, we've seen some significant cost reductions in that program because now we've had a better reading of who's enrolled rather than more people enrolled. I think in some cases that's been as much as 20%.

That's not our largest program; that's a program with a cost in the order of \$80 million or \$100 million a year, so it's an illustration. But again, we have not yet used the health number as thoroughly as we need to throughout the ministry, so I pick that as a rather clear illustration of where you can actually measure and say, "We paid X this year and we paid"—

Mr Jim Wilson: But you'd know that information under the old OHIP system. I mean, everyone under that system had a number, and if they attended a health service organization you were still able to track what services and

billings were provided for those individuals. It may have cleaned up the numbers, but you were still able to track that information, were you not?

Mr Decter: No. The problem under the old system was that people had multiple numbers and they didn't have unique identifiers, so in some cases we were paying for people who weren't really there. The way the HSOs work, they enrol the population, which means they need a number. But what's happened with the new health number coming to bear is that some of those rosters have dropped in size because they had duplication or they had ineligible people on them.

I don't want to place a huge emphasis, as this is only one program. It's a little different than the others in that it runs on a capitation basis. But it's a clear area where we've seen some impact from the numbers. Others may want to contribute—

Mr Jim Wilson: I'm just sort of wondering. Your example hinges on the fact that there was duplication, but there's still duplication, according to the Auditor and according to yourself, under this system. We have several thousand people in the province who perhaps have two numbers assigned to one person. What I'm getting at is, how does the new system improve on the old system other than that the overall number of duplications is down?

1520

Mr Decter: In the order of magnitude, we are down from 250%, if you take the 10 million versus the 25 million, to what we think is something in the order of about 2%, so it's a change. There's still duplication, but there's a whole lot less of it and that's where we're seeing the benefits. We're working to reduce what exists. But if you're asking me the if the new system is perfect; no, it's not perfect. We still have a distance to go to get the full value out of it but we are seeing some considerable value so far.

Mr Jim Wilson: I'd just want to ask a quick question for my colleague. If you're to move to expiry dates and perhaps photographs and adding addresses to the information so that it's contained in the magnetic strip, wouldn't you have to recall the 12 million cards you've already issued? How do you deal with the population that has a card now?

Mr Decter: One option would be to start with the issuance of new cards to seniors as they turn 65, which we are doing. The over-65s are our highest-use group, so that would be one strategy. Again, I think everywhere we're trying to do something. We're trying to look at where we will get the largest payoff for the least effort. I tell you we had approaches from the banks and some others around smart card technology.

Faced with a choice between investing some money to get some benefit out of the \$40 million already invested for some additional benefit or going to a whole new issuance, my bias was to tighten down what we already had. If we went to expiry dates, I think we'd have to either start with a birth year, that is, issue newborns with one that a cycle, or potentially with the over-65s. I don't know if there are other thoughts Peter might have on that.

Mr Burgess: I guess the only thing I want to add is that prior to the implementation of any renewal cycle, which we would obviously attempt to do as much by mail as opposed to unnecessarily getting everybody to walk in, certainly in terms of sending stuff out, we need to spend some time cleaning up our existing address data. That is the largest single part of our current file which is inaccurate. Clearly, people are much more mobile than they used to be and addresses are not being updated, so that would have to be done.

The Vice-Chair: Mr Tilson.

Mr Tilson: How much more time do we have?

The Vice-Chair: You have approximately five minutes.

Mr Tilson: Thank you. Turning to page 107 of the Auditor's Report, there's item 3.10, which is the background section. There is a chart which talks about the actual cost compared to the budget. Obviously, when Mr Wilson first raised this in the House back in October, and the Provincial Auditor has now been raising all the issues that he has, I guess the question I have is that just looking at the amount that was spent on registration planning compared to processing applications, producing the health cards and all the other items, the least amount of funds that was spent was in registration planning. In other words, we're putting forward a very expensive program. Presumably you have put some thought behind it, but the strange part is that this is the area you've put the least amount of effort into. Can you explain why?

Mr Decter: I'm not sure that I can give a good explanation for that. You will note that we overspent the planning piece by the largest margin, so clearly what we actually spent on planning was more than double what we planned to spend.

Mr Tilson: I can see that. I guess I find it strange that when you are trying to introduce a new system to correct a system that's clearly defective. With all the OHIP numbers—and you've gone through all that—I would have thought you would have spent a considerable amount of time on all the different systems—I think we're the last province to change our system, if not, then one of the last provinces—and that you would've looked at all of those; there would have been time spent on looking at the American jurisdictions. I'm just not sure you did do that. It's just that I find it strange that, whether it's the amount spent or whether it's the amount budgeted for, that's the least emphasis, whereas the greatest emphasis was on the matter of processing applications.

Mr Decter: I can't, obviously, say very much from personal experience on that; 20-20 hindsight would tell me that probably spending more on the planning end would've been a good idea. You're right that some other provinces put in unique health identifiers at the advent of medicare and have had some sizeable benefits from having done that. You have to sort of live with the history in your own jurisdiction. I think that with the ending of the premium-based system here, there was real pressure to move on this.

But again, I've read an enormous amount of background and tried to read between the lines on some of it. I'm quite willing to accept the criticism that we should've put more

effort into planning. I know when I arrived, my early description of the problem was that there were 700 people standing outside an office at 2195 Yonge, and there was a lot of pressure to get them dealt with on a timely basis. I went up there to sort of see how we were doing and found some tremendous efforts by some overworked front-line staff to deal with the actual processing. I think we probably underestimated the magnitude of the tasks involved.

I think we certainly underestimated the number of new people arriving to Ontario, particularly in Toronto. I guess I'd just underscore there that our immigration levels are running, I think, higher than at any time in recent memory. So we were pursuing a somewhat growing issue, and I don't think we've got the full solution on that one yet.

Mr Tilson: Having said that, and we're obviously in midstream now, we're finding a system that you admit has got some defects, and it's quite obvious that it's got some major defects. You mentioned immigration, you mentioned the fact that we should be looking at ID cards and you say you are doing that, photo cards, smart cards. Probably there are all kinds of cards under the sun that you could be looking at. Have you budgeted? Have you put an amount forward for the government to look at as to how much all this is going to cost, to look at new potential systems that perhaps you should have looked at in the first place?

Mr Decter: No, we have not. At this point we are doing the work. We have budgeted the smart card pilot project in Fort Frances, including an evaluation phase. So on that particular piece, until we have the results of that pilot, I think it would be premature to look at costing on a smart card.

Many of the other measures are part of the ongoing management of the ministry. There isn't a separate budget for that; it's a matter of the ongoing work that Peter and his people do. As they finish one project, they move to another, so it doesn't have a big price tag. I can tell you that we are not going forward on any grand design on the technology side unless the program area can cost-justify it. Unless we have a business case of a very tough sort, I won't go forward to Management Board on automation projects.

Mr Tilson: Well, I guess—

The Vice-Chair: I'm sorry. We're out of time.

Mr Tilson: I'm finished?

The Vice-Chair: We have to move on to the next round. I have Mr Fletcher.

Mr Fletcher: Just a couple of things. When OHIP was first introduced and the little cards were handed out, there were problems in the system. Is it correct to say that there were problems in the system, that some people were getting them who shouldn't have gotten them, that it was hard to keep track of where they were going?

Mr Decter: We relied on employers, really, in the initial days, back in the early 1970s, to submit and that had its own dilemmas.

Mr Fletcher: With people changing jobs frequently and things.

Mr Decter: Yes.

1530

Mr Fletcher: Certain outside things that were uncontrollable always had an impact on what was going on in the ministry, such as what's going on now. You know, we talk about the number of cards that are out there, and I know that when the Liberals started introducing this, the program was introduced to try to cut down on the amount of fraud and cut down on the number of cards that were being sent out erroneously, and yet it was still occurring. The system changed because it had to change with the times, with the way things were changing. Now we've come another step further.

Would you say that the goals of the ministry are consistent with the steps that have been taken from the beginning, when OHIP was first introduced, that we're trying to get to a certain stage and that each step is a learning process, that we learn from one step and move on to another step?

Mr Decter: I'd certainly agree with that. There are some shifts in our whole philosophy in approaching health more recently, in the last five or six years. I think we saw health care as insured services. That is, the government stepped in to be the insurer and to pay primarily for hospital and physician services and, for part of the population, drug services or drug benefits. We're moving to much more of a view that the determinants of health are a good deal broader than that.

On one hand we have the challenge of managing the services we're delivering, and the health number at its current stage represents progress on that front but not perfection. But we also have the challenge of making some different investments in the things that determine how healthy people are as opposed to the treatment of illness. So we have more of a balancing act.

One of the things we need better data for, which the health card provides, is really to look at epidemiology, both clinical epidemiology and population epidemiology. Clinical epidemiology is, do the procedures we're paying for actually work? Do they improve people's health? And population epidemiology is, do the investments we're making create a healthier population? Without knowing who's getting service and what service they're getting and being able to track them, you really can't get at those two fundamental pillars of where we need to go in this decade.

So yes, I believe that the steps that have been taken again don't represent perfection but they do represent substantial progress.

Mr Fletcher: I've also read some previous auditors' reports from previous governments. A lot of the things that were being said then—not to say that things haven't changed—have been said again but not on this same scale.

The other thing is that you talk to people about credit card companies such as MasterCard, Visa, and they spend a lot of money, in fact probably too much money on trying to detect fraud, whether it be lost or stolen cards, cards that were issued to family pets, which is common in the private sector also, things that are going on. That's one area. I'm just interested in combating the fraud issue or where the cards are being sent, when even in the private sector one of

the biggest problems is having correct information. You can only have the information people send in.

Mr Decter: It's very tempting, I think, to get heavily focused on the fraud issue. It's an issue, we are accountable to the taxpayers and the auditor is very good at helping us.

Mr Fletcher: The credit companies are using my money.

Mr Decter: Yes. But let me come to the Visa comparison. I was asked earlier, what was the reaction of the OMA to the version code decision? Their initial reaction was to say that when they go into a hardware store to buy something with their Visa cards, they give their Visa cards to the merchant, to the store owner or the clerk and that clerk verifies that it's a real card before the purchase is processed. They said, "Why don't you do that for us?" I said we've looked at it. What you have to understand is that that merchant, the owner of the hardware store, pays Visa or MasterCard 1% or 2% or 3% or pays American Express 4% or 5%. If you're willing to do that, if you want that system, I'm prepared to recommend it to ministers. But understand that it's going to cost you some money.

The OMA hasn't given us an answer on that. I think it's a big expense to deal with a problem that we're not sure of the scope of. The investigations we've done to date have detected where there's a suspicious activity it's down around the 1% level, and whether you'd want to spend 2% to solve a 1% problem becomes an issue.

We certainly want to deal with fraud, but I think the upside of the health number is that we're going to be able to plan a much better health care delivery system with the information we get, not the individual information but the aggregation of it, and that's going to help us make a lot better and more precise decisions about what investments we ought to make in health care delivery.

Mr Fletcher: That's more important.

Mr Decter: They're both important. People in the province want the system to remain affordable, and that means making the right investments. It also means making sure that we're not being taken advantage of, so there's a balancing act. The unique health number helps on both those fronts.

Mr Hayes: There's one issue here that I would like to really get a clarification on. There are numbers that are being bandied around. Mr Wilson has raised several times the 1.4 million invalid cards that are in circulation and then of course he multiplies that by \$1,400 per resident. They've come up with some pretty astronomical numbers and you have actually indicated that the 1.4 million is not really a credible number to be using.

I guess what I want to know is what is being done now and what can be done to make sure that these cards or the invalid numbers can't be used. I'd like you to be specific, for the record, on really addressing these 1.4 million cards that have been mentioned to the media, in the House and all over the place. If that's not an accurate number, I'd like you to clear up that particular issue.

Mr Decter: Let me try again. I've tried a couple of times. I will, in the course of trying to answer it, also answer or try to answer Mr Wilson's question about what

our estimate is of how much the cost of fraudulent billings might be. It's a wide range, but I'll speak to it.

First, on the 1.4 million, this is simply the difference between the total issuance of numbers and those currently valid. I'm making the comparison I tried to make before. We've issued 20 million drivers' licences in the province of which, at this moment, 6 million are valid. You could say there are 14 million invalid drivers' licences, and you would quickly have to say that 10 of them are your old ones that you're not using any more. So the difference is that we haven't put a particular expiry date on our health cards so, conceptually, if they lost one and were issued a new one and lost it, someone could have multiple numbers. But the main protection we have is that we're only going to pay on the valid ones.

As indicated, I think the 1.4 million is not the issue. The real issue is coming down from the 10.8 million towards the population and how much of that we have got off the books or we are in the process of getting off the books.

Mr Burgess provided me with some figures over the noonhour. I asked the question, in the 50 studies we've done to date, what percentage of fraud are we finding? I'm overstating it; fraud isn't there until you've proved it in a court of law. What percentage of what we're finding seems to be suspicious? Despite our expectations, it seems to be down around the 1% level. If you take the 1.4 million times the \$1,400 times 1%, we have a \$20-million problem that we're pursuing. If you take it times 5%, then it's a \$100-million problem.

If you had to ask me, from what I now know, how big the issue is of either fraudulent consumer activity or fraudulent provider activity, I think a good ballpark is probably in the 1% to 5% range, and I would believe it to be, on the basis of the work we've done, closer to the low end of that range. That is more likely to be in the \$20-million range.

Mr Jim Wilson: On a point of order, Mr Chairman: If you're going to answer my question, you should be sure that my question was how much was charged, not the estimate, to the 1.4 million cards prior to February 1.

Interjection.

Mr Jim Wilson: No, that was my question.

Mr Perruzza: Mr Chairman, that's not a point of order.

1540

The Vice-Chair: Order. That was not a point of order. We'll rotate.

Interjections.

The Vice-Chair: Order. I ask members of the committee to come to order. That was not a point of order; it may have been a point of clarification. We have to carry on.

Mr Hayes: Really, what you're saying, in fact—and correct me if I'm wrong—is that if someone has two or three cards, only one of those cards is going to be valid where the person is going to be able to use it. Is that correct?

Mr Decter: Yes.

Mr Hayes: Just one more real quick question so I can be clear: What happens when services are billed by a provider to an invalid number?

Mr Decter: As I indicated earlier—I have the bulletin here—we send back to the provider essentially the claim with the information. I'll read it to you precisely. This is the bulletin that went to all physicians, hospitals, clinics and laboratories as of January 15, "Claims without valid version codes will be returned to the provider for correction and resubmission."

It's a longer bulletin. "To assist in identifying the correct version code, it is recommended that:

"— Health cards be seen when service is provided and compared with patient records;

"— Remittance advices"—that's the information we send with payment—"be reviewed and patients contacted to provide updated information where necessary to reduce the likelihood of future returned claims;

"— Patients be contacted when incorrect version code claims are returned. It is important to confirm that the patient holds and is using the correct card;

"— If patients require assistance, they are to be advised to contact their Ministry of Health office; and

"— Once the version code is updated, the claim is resubmitted to the ministry for payment."

We believe that in terms of multiple cards, we have issued two cards to 821,000 people, we have issued three cards to 91,000, four cards to 14,000, five cards to 1,635 and six cards or more to 163 people. The vast majority of the multiple cards, some 80%-plus, are somebody getting a second card, most of them on turning 65.

The Vice-Chair: Could I just ask a question with respect to clarification?

Mr Hayes: As long as you take it from Bob's time.

The Vice-Chair: It won't be off anyone's time. We'll add time to it. The auditor has sort of indicated to me that what you were referring to was total inactive cards, 1.4 million.

Mr Decter: Yes.

The Vice-Chair: How many of those are invalid?

Mr Decter: I believe they're all invalid.

The Vice-Chair: So they're all invalid cards?

Mr Decter: Yes.

The Vice-Chair: The auditor may want to follow up.

Mr Peters: I just raise it as a point of clarification to help out in the answer because everybody's going after this particular point. When you say they are inactive and they're all invalid, if those cards were presented, how would they show up as invalid in your system? In other words, one of these shows up at a doctor's office and they come to you and ask for billing. How would you identify it as invalid? That may help the members to just explain how this would work.

Mr Burgess: I'm not sure that I can clarify any better than the deputy's done so far, but let me try.

In the case that a second card gets issued or in the case of death or in the case of a card running out of eligibility, for those cards that have eligibility, that 10-digit number on the card is immediately invalidated. That means it cannot be used. If that card, following February 1, 1993, is presented

to a physician or other provider for services, those services will not be paid for.

Mr Tilson: There's no difference between "valid" and "active"; is that what you're saying?

Mr Peters: As of February 1. This is really the point of clarification that people seem to have missed that was missing in the explanation; as of February 1. The only other point is, are the health providers provided with some sort of evidence that identifies for them that the card they're facing is invalid?

Mr Decter: I'm going to introduce Eileen Mahood, who's our director of claims payment, because she's got the payment end of the business. But let me say—and I'll ask her to speak to it—I believe we've been providing, with remittance, advice to providers over the last three years of wrong billings. We haven't been not paying them, but we've been telling them, "We're paying you, but this is a wrong number." But the point here is very right. When the auditor identified this problem, it was a real problem, and we have only addressed the problem as of February 1 in the very direct way of saying, "Not only is that an invalid number, but we're not paying a claim against it."

Mr Callahan: No ticky, no washy.

Mr Decter: Exactly, and maybe Eileen could speak to that and just make it very directly clear how the process works.

Mrs Eileen Mahood: For this provider who is submitting to us on a machine readable input format, that claim is rejected out of the system and goes immediately back on an error report to the physician, to the provider, as the claims come in. So that doesn't even appear in our system for any adjudication. They will have to now, as of February 1, get that number validated and then resubmit the claim. So they're out of the system. For paper claims, of which there are still a significant number, that's done by a clerking process. Again, the system will show on a screen that this is an invalid number. That claim card will have to be pulled and sent back to the physician.

The Vice-Chair: If I may just follow up on that, is there a pre-screening verification that this number is invalid? Is there anything to forewarn a physician that this number is not accessible, or is that after the fact?

Mr Burgess: Perhaps I can jump in there, since this is particularly relevant to the case that I mentioned this morning. All our cards with their 10-digit numbers on them pass a modulus 10 check digit routine. That check digit routine is a little mathematical computation that we can all go through in our heads mentally, should we choose to do it, but it was shared with the provider community some three years ago when the numbering scheme was developed for the individual, unique number. Each one of the physicians' in-practice systems has that modulus 10 check digit; we have shared it with the provider community. So if you type in the number that is shown on the overheads that you've been given, that will immediately flash on the screen as a totally invalid number. It's invalid. It's got nothing to do with, "Did it have eligibility? Does it have eligibility? Will it have eligibility?" It is invalid, just

a random collection of 10 digits, and it is not and never will be a health number.

Mr Callahan: That's if it's a phoney card.

Mr Jim Wilson: The 1.4 million were real cards.

The Vice-Chair: Order, please.

Interjections.

The Vice-Chair: Well, let's hear from the—

Mr Decter: Three things here. Let me do them quickly.

When we have the phone line in place, a provider will be able to call in, subject to us being clear with you on the FOI considerations, punch in the number, and an electronic voice will say: "This is a valid number," or, "This is an invalid number." We're discussing whether it will give any further—any reason for it being invalid.

But to date, what every provider has, whether it's a hospital, a clinic, a lab or a physician, is all of the advice we've given them over the past three years about which numbers are valid or invalid. We've been sending those to them monthly. So on the basis that most people see the same physician or go to the same hospital or get tested in the same lab, what all of the providers have is three years of data that they can go through, and they can discover for themselves that Mrs Jones's claim was valid with this number and was invalid with that number. So all of the providers have on hand, at the moment, an ability even before we bounce back any claims to determine where their problem is. This is a problem at the level of approximately 3% of claims, as I recall. So it is not a huge problem. It's a big problem for us, but for an individual provider, on average we're talking maybe one claim a day or less. So they have one additional phone call to make to track down a right number if they want to get paid, and we don't think that's a huge burden.

The Vice-Chair: I have Mr Hayes who had the floor. Have you concluded your questions? You have a couple of minutes left, and Mr Frankford asked—

1550

Mr Hayes: Mr O'Connor actually wanted my time, or—

Mr O'Connor: Thank you, Pat.

Mr Hayes: Go ahead. We like to share here.

The Vice-Chair: You have two minutes left.

Mr O'Connor: Thank you. I guess one point that was brought up the other day in closed session was the fact—I don't know if it's a fact or what, but perhaps you can give me some clarification on hospitals having rolls of cards to use for newborns, that they can give out a number automatically. Of course, that then points to perhaps a potential for abuse. Perhaps you can clarify that information. Do the hospitals have rolls of cards that they can possibly issue for newborns? What's the correct procedure that would be followed for registering newborns?

Mr Decter: The answer is yes; we've given hospitals blocks for newborns. As you can understand, we faced some considerable criticism that newborns weren't able to rush out and get a health card in time for their—they're

provided a bill, but I'll let Peter speak to the detail of how we're doing it.

Mr Burgess: We pre-publish, pre-allocate against database, a certain number of valid health numbers. Based on the historical number of births in a particular hospital birthing centre, we send that number every three months. Then, on a regular basis, on a monthly basis, we track actual births against anticipated births and run an inventory control system of the number of pre-allocated numbers and forms that have been sent to an institution and how many we've had back. We just keep doing that on a regular monthly basis. It's a classic inventory control.

The Vice-Chair: Okay, I'm going to move to the next round. I'm at the mercy of the committee. Do you want to have a last round, or shall we carry on with 15-minute rounds?

Mr Callahan: Do one more 15-minute round.

The Vice-Chair: Okay, we'll go one more time around for 15 minutes. Is that acceptable to everyone? Okay? Mr Callahan.

Mr Callahan: I notice that on the new form that you've got, it's got down at the bottom "Name Style Preference." Mr Robinson can have his name as Daniel Martin. He can have his name as Daniel M. He can have his name as Daniel Robinson. He can have his name as D. Martin Robinson. He can have his name as Martin Robinson—I'm sorry, no first name, but simply a middle name, Martin Robinson. He can be D.M. Robinson; he can be D. Robinson; he can be M. Robinson. He can be any one of those eight variations.

Interjection: "Robbie."

Mr Callahan: Now, I'd like to ask the person who is familiar with computers: If I come in and fill out the form and I choose to use on my first application "Daniel Martin Robinson" and I fill out all the information and provide some proof of who I am—it doesn't necessarily have to be citizenship; it says, "Canadian birth, citizenship, or baptismal certificate or a Canadian passport," or then it says any other document. If I come in and do that and they punch in my name as Daniel Martin Robinson and I give them an address, I get a card with that on my card because that's my preference. All right. Then I come in the next day to another—I'm just trying to think this out. I come into another application centre and ask for one for Daniel M. Robinson, and I produce the same thing and give a different address. Am I not correct that each of those would receive a valid health card number, and the computer is not capable of determining that you have now got eight cards out in different names for Mr Robinson?

Mr Hazell: It really does depend on the number of identifiers that you choose to use. If you simply gave me your last name with a different address, I'd assume it's two different individuals. One of the things we do, of course, is to use the birthdate as well, so the date of birth would in fact trigger the last name, the same address. The date of birth would very likely trigger someone saying this is very likely the same individual that we're dealing with.

Mr Callahan: Let's say I didn't give you my birth certificate as proof, but I gave you something else.

Mr Hazell: With a different—

Mr Decter: You would still have to give a date of birth.

Mr Callahan: The reason I'm suggesting this is that it has come to my attention, and this has been in talking to police officers, that there are people who actually, when their licence is suspended, get a new licence by simply changing the way their name appears. If they're called Daniel Martin Robinson on the one, they just open up a new file in the computer for Daniel M. and they get a new licence and they drive around with it. If the police stop them, they check CPIC and all they do is find that Daniel M. Robinson is an upstanding citizen, whereas Daniel Martin Robinson is probably a scoundrel who has lost his licence for 20 years.

Mr Perruzza: If he's dishonest—

The Vice-Chair: Mr Callahan has the floor.

Mr Callahan: Maybe if you listen, you will understand.

Mr Perruzza: Well, I am listening to you.

Mr Callahan: Well, listen, then.

Mr Perruzza: Surely fingerprinting—

Mr Callahan: Listen. Listen.

The Vice-Chair: Order. Mr Callahan has the floor.

Mr Callahan: You'll agree with me that in computers you can do that. You have many ways you can pull up a file and many ways that you can identify a file as being similar, but does anybody actually go through the computer and pull out the item on the basis of one of those matched components? Let's say we use your example that the birthdates are the same.

Mr Hazell: We need at least three items to match: the last name, the date of birth and the address.

Mr Callahan: Okay. But let's say that I don't give you my birth certificate as being a piece of evidence of my residency in Canada. I simply give you my citizenship card or my baptismal certificate. You see what I'm getting at? This system you've got in place right now, with all due respect, even with all of its updates after the auditor has brought to your attention certain glitches, and in this computer world—it's got flaws. It's open to significant fraud. Would you agree with me that there's at least the possibility of that in light of what I've just said?

Mr Hazell: If you stated it differently, I could possibly agree. But, no, seriously, it really does come down to the number of things you want to match. You could of course go ad infinitum in terms of the number of matches. We've chosen to match three things. You can make the case, obviously, that if you want to match a fourth, you're more accurate than simply relying on three.

You're correct in the sense that if you're using only the name as an identifier and someone spelled the name differently or changed the name, then certainly you've just created a brand-new file. If you're matching three or more items, I think you stand a very good chance of being able

to identify that you're dealing with the same individual. That's the tack that we've taken.

Mr Callahan: Are there three items? It's birth—

Mr Hazell: The date of birth.

Mr Callahan: I hate to be giving information to somebody out there who might be watching, but there are three items that are checked?

Mr Decter: Birthdate, surname and the address.

Mr Callahan: Because I go back to my major concern in this whole issue. Obviously the major concern is the money that has been lost as a result perhaps of these extra cards, but more importantly, if we're going to use a computer technology, which certainly we have to, then we have to come up with some way to plug all the gaps. Even if you take three checks, as I say, people could come in and get those cards, and those cards are worth a lot of money, not for health services necessarily. That card may give them access to opening a bank account that will establish some degree of legitimacy in being in this country. It might give them access to any type of official document: a driver's licence or what have you.

It becomes most specifically significant if, as I understand it, you're going to use this same card for the drug benefits, because drug benefits already cost us a lot of money, and that will be a loss there as well.

I would ask you to look at that, that that be blocked, that you not be given an option as to how you want to be shown on your card, but that you're shown on your card exactly the way you are on the document that is presented as identification. That's one way of avoiding even the possibility of that happening. That's my first suggestion. Would you agree that would make it a much tighter scenario?

Mr Hazell: It would. The only thing I would add in terms of clarification is that we actually see the document. What you're doing is to choose how you want that name to show on the actual card, but if we see the document—

1600

Mr Callahan: I'm suggesting that we not give them a choice, that if you're asking them to present a document, that document is what you're relying on in terms of the veracity of that person before you're collecting the card. I would suggest that you look at the question of not giving people the choice of how they want to appear on the card. If you're asking for proof of who they are, then there should only be one choice and that's exactly the way it appears. I mean, you don't get that choice in passports. They don't say, do you want to appear as Daniel Martin Robinson or Daniel M. Robinson? You're identified specifically. I think that's the first step that tightens it up and eliminates any possibility of someone trafficking in these things.

The second question I would ask: There was a report in the Hamilton Spectator which seemed to allude to these things about the good people in Detroit using our medical services and so on gratis Canadians. But more importantly they referred to Martyn Cooper, who is, I guess, the manager of the Royal Bank's Toronto-based technology integration division. Have you people talked to this gentleman at all?

Mr Burgess: I have not personally spoken to Martyn Cooper, although my staff and I and Julie Leggatt have made arrangements on the week of March 22 to visit the Royal Bank.

Mr Callahan: I wonder if we could use your good services, since you now have this link with this gentleman, to perhaps arrange to have him come before this committee. We'd like to talk to him, but we're not interested in spending taxpayers' dollars to get an expert here to tell us how it should be done. This guy seems to have it in place. By the way, this was October 1992, so it's some time ago. He said:

"The bank is interested in providing the information management expertise it has amassed over the years computers have been in the financial world, developing technology that could one day be exported and make Ontario a leading force in health care information storage and delivery, says Martyn Cooper, manager of the bank's Toronto-based technology integration division.

"Perhaps, he says, the bank could one day provide the government of Ontario with use of a highly confidential, encrypted information network capable of handling the health information of 10 million-plus Ontario residents."

What that says to me, if this report is accurate, is that this man has all of the credentials to eliminate the problems we've discussed about confidentiality of people's records, to eliminate perhaps the use of cards improperly and to put a cap on not just our health care system but on our drug program as well. I would certainly like to hear from him and I think other members of the committee would. If you can help us out in that regard we would be much appreciative.

I want to know why it is taking until March—this is where the jab comes in—of this year to meet with this gentleman, when apparently Mr John Burman of the Spectator knew about this fellow's offer to give this kind of information to the Ontario government? Why did we not use it sooner than that?

Mr Decter: Let me address that issue, because it's not at all accurate to suggest there's been any delay. My minister and I met with a consortium of the banks a year and a half ago to discuss their proposal in this regard. Their proposal was for a public utility to own the computer system managed by the banks. They were looking for a public utility rate of return in the order of 15% on their investment, which they estimated to be \$200 million to \$300 million. I didn't feel at that point that we were ready to contemplate an additional cost in the order of \$40 million, \$50 million or \$60 million a year, ballpark.

We didn't say no to those discussions. I had subsequent follow-up meetings with the group. They were pushing very hard a particular smart card technology, to which our answer was that we want to evaluate our pilot before we jump into 10 million smart cards and a whole system. So we have had ongoing discussions.

I had lunch in the fall, at the Premier's request, with Helen Sinclair from the Canadian Bankers Association to explore its interest as an association in this matter, and we take very seriously their offer to help. So far, I think it's fair to say—and I'd welcome the committee meeting with them—their proposal is a little rich for our blood. The smart card is

an expensive piece of technology. I think the banks would acknowledge that the reason they haven't moved to smart cards for Visa and MasterCard is that you have to have a lot of functionality out of a card to justify the expense.

We may well all be carrying smart cards in 5 years or 10 years. We want to keep the dialogue open. We've had great help from the bankers on electronic data interchange, on actually moving funds payments. We now deposit our physician payments directly into their bank accounts rather than mailing them a cheque, which saves us money.

So we're not at all averse to this, but our first look at it—really it was a big-ticket item and we wanted to secure our existing investment before moving forward.

Mr Callahan: Understood, but when you say that they—I wasn't quite sure what you were saying. Were you saying that they wanted to have the handle on the computer bank? Is this what the Treasurer is talking about now, the sale and leaseback of computers?

Mr Decter: I think their proposal could have been seen as a much earlier variant of that. What they were saying was: "We, the banks, have the expertise over here. We understand that for all sorts of confidentiality reasons, you probably don't want health records in the bank, nor do the people in Ontario want health records in the bank." But their proposal was to look at a computer utility that would be like a crown agency, but with a management agreement to them.

Mr Callahan: So I can assume that what the Treasurer is doing right now may be part of this whole move towards that?

Mr Decter: I think the bank's proposal to us really represented a marketing efforts around its expertise. I think I'd leave it to the Treasurer to speak to what he has under way in terms of—

Mr Callahan: Maybe we'll have the pleasure of his company here one day.

I just want to get something very clear. You had addressed the question, if the 10-digit number was one that was made up, in other words if it was a counterfeit card totally, this message would flash, "Not a valid number." But you weren't saying for one minute that if it was a card that had a legitimate 10-digit number on it, the doctor who performed the services, unless he had an electronic scanner, could in fact have performed his services gratis because he wouldn't be paid by anybody.

Mr Decter: That's correct.

Mr Callahan: I just wanted to clarify that issue. But I strongly urge you to look at the question of a single option for a name, not eight. It's nice for people to want to be called something other than their own name, but if that's the case, let them change it legally and not have options like that. I know banks won't allow you to do that either. They'll tell you to sign a cheque exactly the way it's made out, even if it's made out incorrectly. You've got to sign it exactly that way and then you sign your normal signature. The very reason for that is to keep people from opening bank accounts under 20 different names and using that as a tool of fraud.

How much time have I got?

The Vice-Chair: You have one minute left.

Mr Callahan: In the one minute, I would certainly ask for the committee to be kept up to date on an ongoing basis of just where this process is going, because when we prepare our report it's going to be for recommendation to the ministry in terms of that. We would like to do that in conjunction with you, obviously.

We also want to know that this is not going to be something where if we send the auditor back in a year from now, we're going to find there are other glitches open. As I've said often, Canadians are very sensitive to other Canadians. They're prepared to allow these safety nets for people, for all of us, but if the system is abused, I think people will slowly come to the position that they don't want these any more. That's what I'm concerned about: losing those things that make our country worth living in.

The Vice-Chair: We've run out of time, so I'm going to have to move on to Mr Tilson.

1610

Mr Tilson: Mr Runciman and I both have some questions. If you could divide the time between Mr Runciman and myself and stop me after half the time, I'd appreciate it.

Mr Decter, when my colleague the member for Simcoe West raised this issue in the Legislature last October, I believe, the Minister of Health indicated that cards, at least at that time, were issued on the honour system to anyone who applied for them. At that time, she admitted there were between 300,000 and 400,000 unaccounted-for cards. I guess the minister's saying that the cards were being on the honour system gave all of us grave concern, particularly with the possibility of fraud and other incidents. Can you tell me whether that system has changed since the minister made that statement in October of last year and, if so, how has it changed?

Mr Decter: I think I'd already indicated that we are looking to see original documentation when people come in to apply and that we are still relying on photocopies when people submit by mail, so that is some alteration. The honour system is, I guess, a term that's a little hard to define. We have a number of voluntary programs in the country including the income tax system. We do rely on people to inform us of changes, but that's not the only thing we're doing. So in a sense, by integrating with the registrar general and seeking to get accurate information from others to update our records, we are moving to supplement the honour system. I think that would be the best way of describing it.

Mr Tilson: I guess the concern I have is the issue of fraud. Those allegations have been made from all over the place: the suggestions of fraud, people using cards for fraudulent purposes and taking advantage of a very expensive system. The feeling most people have is that there should be zero tolerance towards fraud, and if you have a system where fraud is allowed you should move as quickly as possible.

It's fine for me to sit here and tell you to move as quickly as possible, but the fact is that we're in this mess. I guess I was asking that line of questioning when our time ran out the last round, and I get back to it. How fast can we

make the system? How fast can we change the system that isn't working?

Mr Decter: Again I'd have to come back to it. You make a very rapid leap from allegations of fraud to a suggestion that the system isn't working. We're very diligent about investigating any allegations we have. It's obviously impossible to investigate something as vague as a rumour that people feel in Windsor that somebody is coming over and taking advantage of our situation. We do investigate anything we've got that's specific. We have undertaken a number of reviews to look at classes of problems to see if they're there, such as tackling the Windsor and Kingston hospitals.

I think we are making progress. We take it very seriously, as witness the 50 or so initiatives and studies that we've already undertaken. We welcome the advice of the auditor and we welcome the advice of this committee on what more we might do. But I think I have to say there's a big leap in conclusion from allegations to substantive evidence, and where we have evidence of fraud we will take action.

Fraud is an offence under the Health Insurance Act and there are penalties. Historically, there hasn't been much pursuit of that. It has run largely on the honour system. As we move to tighten it, we have to make sure we bring people, both providers and consumers, along with us in this process, so we have some amount of public education to do as well.

Mr Tilson: I guess I'm going to leave this and get into another area.

Mr Wilson raised this and there has been some concern, certainly in our caucus, about the slowness and how long it took the Provincial Auditor to make the ministry move. In fact, as late as February 1, you indicated that you no longer are going to pay providers if there's evidence of service being provided when they know that cards are invalid. I again emphasize the statement that certainly the Progressive Conservative caucus believes, as I believe and many people in this province believe, that there should be a zero tolerance towards fraud. I know you're having difficult times trying to determine—you've probably got a financial restraint, but I just emphasize that concern when we talk about one third of the provincial budget being health and getting more and more out of control.

How much time have I got?

The Vice-Chair: You have two minutes.

Mr Tilson: The minister at that time—and it may well be that we have to wait for another round—talked about a system of verification. She talked about a 20-point program of implementation which involved verification. My concern is that that appears to contradict what you and the minister are saying. On the one hand we're going on the honour system, and yet you do appear to have some sort of system of verification. I don't understand that. I don't understand those two statements of the honour system versus some sort of system of verification.

Mr Decter: Let me try to be clear. We're moving from a system that historically was largely the honour system to supplementary measures. The 26 measures that the minister made reference to in her October comments are now up

to 50, if you take the initiatives which we could table a list of. We've provided some of them in the overview, but a number of them are very specific measures. So I don't disagree with you that we should have a zero tolerance attitude towards fraud, but I would also say that it's easier to make an allegation than it is to detail what exactly that allegation is.

I would frankly look to that same October discussion in the House, where Mr Wilson indicated that he was recently contacted by a woman who works in a neurology clinic in Toronto who told him that four Iranian citizens routinely visit Ontario for health care treatment. Without something more to go on, it's impossible for us to know which of the thousands of potential providers that involves. If there is further information, we would like to have it and we will investigate it.

Mr Tilson: What facts does the ministry have of fraud, Mr Decter? What facts can you give this committee of incidents of fraud in the system?

Mr Decter: I would turn to Peter Burgess to indicate what we have. I would say we want to be careful if any of these things are before the courts.

Mr Tilson: I'm not asking for names. I'm just asking for incidents.

Mr Burgess: One instance, as an example—

Mr Tilson: No, I'm asking how many incidents since this system has been implemented have come to your attention where there's been fraud.

Mr Burgess: Let me clarify the question: that have come to my attention by phone calls or as a result of the analyses?

Mr Tilson: Anything.

Mr Burgess: We have, from May of this year, cancelled some 1,600 or 1,700 cards as a result of activities that we have undertaken as a result of individuals having a card for which they were not eligible.

The Vice-Chair: Mr Tilson, I want to remind you you're running into Mr Runciman's time that is now pending.

Mr Tilson: Thank you, Mr Chairman. Mr Runciman has two questions.

Mr Runciman: I just wanted to direct a couple of quick questions to Mr Decter about physician overbilling. I know you in the ministry developed a billing profile and look at doctors' billings. Do you review each and every doctor in the province based on that profile?

Mr Decter: I don't think we have anyone here from that particular section. I believe that we review, based on profile, the 22,000. We have been working on a project where we are going to share with physicians—it's called the interactive physician monitoring project—and working with the OMA to find a way of sharing profiles with doctors in a way that would cause them to examine their practice pattern. We do refer those that seem to be extraordinarily out of line to the Medical Review Committee.

Mr Runciman: I understand that.

Mr Decter: That's on the order of 200 a year.

1620

Mr Runciman: I don't think I got a clear answer there. I asked specifically, do you review the billing practices of each doctor in the province against the billing profile that you've developed, or is it just sort of a hit-or-miss process?

Mr Decter: Perhaps I can get some information on that. We will get you an answer, I think, momentarily. The only piece of this I'm unsure of is whether we look at each and every doctor each year, or whether our system just kicks out the ones that are two steps deviated from the main.

Mr Runciman: How often is that profile reviewed?

Mr Decter: Again, I believe it's once a year. We have a group to do that on an ongoing basis.

Mr Runciman: Are you and the ministry happy with the whole question of overbilling by physicians, with the way the process is working? Do you think there are a lot of people slipping through the cracks, or are you relatively satisfied?

Mr Decter: I think I can speak to it. Personally, as you would know, I have not one but two new ministers. This isn't an issue I've had a chance to talk to either of them about in the couple of weeks they've been with us. They have a rather large briefing to get through.

My own view would be the combination of the discounting in the new agreement and what we've seen on the utilization front—it gives me a sense that we're beginning to come to grips with some of it, but I think we still have a distance to go. Much of it is not overbilling in the sense of a physician doing something in a deliberately wrong fashion. Much of it is physicians who have a certain approach that they take to a particular case, and the reason we've put \$4 million a year into the Institute for Clinical Evaluative Sciences at Sunnybrook is to get at those utilization questions.

Mr Runciman: Let me ask you a specific question. Of the eight doctors in 1991-92 who overbilled in excess of \$100,000, when you take a look at that, how accidental is it for eight physicians—and they're the ones you caught, so to speak. How accidental is it for someone to bill in excess of \$100,000 annually?

Mr Decter: Virtually all of our physicians bill in excess of \$100,000 annually, but if you're asking in excess of what they should bill—

Mr Runciman: Yes.

Mr Decter: I frankly don't think we look at enough physicians. We have a constraint there, and it's an historic one. When the Medical Review Committee was put in place in the act, we had a lot fewer physicians. There is a constraint, given the size of the committee and how it operates, on how many cases they can look at a year.

Having said that, I would defer to Dr MacMillan, who I think can join us tomorrow. This is more his area than mine. The comments I've had from people in the ministry are that we probably don't look as hard as we should, but understand that our process refers physicians to the Medical Review Committee, which is independent of the

ministry and is cast in legislation. So we live with the architecture of that legislation.

Mr Runciman: There is a tie-in to this, if I've got time, Mr Chairman, with respect to the changes you have made in respect to placements into medical schools in Ontario and trying to drastically reduce the number of graduates from medical school for a period of time, I gather.

If you take a look at the situation now, you obviously feel you have a surplus—or do you feel you have a surplus?—of doctors in the system now by the order of, what, 2,000 to 3,000 doctors, who are all billing the system somehow? What their average billings across the province would be, I don't know. But I'm just wondering: If you take a look at those 2,000 to 3,000 surplus doctors, all billing the system for \$500,000—I'm tying this into unnecessary billing. I called it overbilling, but it could be deemed unnecessary billing as well.

Mr Decter: It's a very real issue. If you look at our per capita spending as a province on hospitals, we're in the middle of the pack. We spend \$1,735—I'm sorry; I have the number wrong, but we will table the data. We spend about the average in the country per capita on hospitals. Our neighbouring provinces spend more per capita. On the physician side, we are the national leaders. We spend close to \$500 per capita. The average in Canada is under \$300, and our neighbouring provinces spend less than \$250 each. So that's a combination of a somewhat more generous fee schedule and a significantly higher number of doctors to population.

We'd be happy to table what happens if you apply the Royal College standard to Ontario. It does show a significant surplus of physicians, largely in our urban areas, largely in general practice. That's the reason that last week, along with the other provinces, we reduced medical school enrolments 10% and we narrowed the door on visa trainees, largely to keep them, not from entering Canada for training, but from staying in Canada when they shouldn't.

The Vice-Chair: Sorry, we've run out of time. We have to move on. I have Mr Frankford next on the list and then Mr O'Connor.

Mr Frankford: Have you done these studies about the consequences of underregistration? We've already dealt with the issue around the natives, you know. It would seem that this produces insufficient transfer payments. I'm thinking of other groups like street people. I think there may be consequences of people getting underserved, and then one is talking about a high-risk group. Should there perhaps be some sort of active registration process instead of a passive registration process?

Mr Decter: We had some very good recommendations. There's an organization in Toronto called Street Health, of which the ministry is a funder. It came forward with some very critical comments about the ministry and registration. We met with them and I think we've taken some strong steps, which I'll ask Peter to outline, to deal with this: How do we make sure we attach people who don't have an address to our health care system? It's not as easy as getting them a card. We fund a lot of organizations to

try to deal with them where they are and reattach them to society, but in terms of a health card, I'll let Peter discuss how we're tackling that.

Mr Burgess: In terms of Street Health, we were particularly keen that someone be available in terms of having—it's the old problem that in order to get a health card, you need a name, you need to know your date of birth and you need to have an address. Well, right there, you've got a problem. So we were able to relax some of our processes and procedures, with the help of Eileen's people. We had an actual targeting campaign on the street, most particularly in downtown Toronto, although downtown Hamilton as well was visited. I personally visited St Joe's in Hamilton. We spent a lot of time with the support groups that are there in place for those of our community who are less fortunate than us. Suffice it to say that we found ways of making sure there was a health number available and that the community centre, the local hospital, had access to that. In fact, we set up in Toronto, through the auspices of the Oshawa office, a phone line specifically where calls could be made and we could find out whether a health number had previously been issued for a particular individual.

Let me reassure everybody here that to the best of our knowledge, no one went without health care for the lack of a health card. I'd just also add that we also had an outreach program in terms of registration in the native communities in the north, where people from our Thunder Bay office physically went out into the community and assisted the population with registering and getting health cards.

Mr Frankford: Here we are dealing with, I would assume, a high-risk, high-need population with significant health problems. It seems to me that perhaps there's a difficulty if you're talking about using the registration process for planning. Perhaps this would be worth studying, because I don't know if anyone can assess how much—

1630

Mr Burgess: I think one of the concerns we have always had is making sure that whatever data we capture we can tie back to that individual. I mean, that surely is the essence of an individual health number, being able to link the activities that have happened in the health field to that individual and then, by factoring up, make some sorts of rules or some sort of judgement about what services are required for certain segments of the population or certain target areas in the province. Unless we can in fact ensure that we have accessibility to the same health number, we then start to lose that linkage of services provided to the individual for whom they were provided.

Mr Frankford: What about another group which may or may not be registered, the users of community health centres where it's certainly not on a fee-for-service basis.

Mr Burgess: No, that's correct.

Mr Frankford: Another unusual group which I believe exists is not registered are people who choose not to do it on principle, and I'm thinking of Mennonites.

Mr Burgess: That's absolutely correct. For religious purposes, there are a number of people who choose not to register for health care. I believe—it's somewhat of a

guess but I believe it's reasonably close—there are about 12,000 whom we know of in the province.

Mr Frankford: Again, I think perhaps a somewhat increased risk group because of the genetic inbreeding.

Mr Burgess: Possibly.

The Vice-Chair: Mr O'Connor.

Mr O'Connor: I guess the question that I've got—legislative research always does a very admirable job of getting us information and providing us really good documentation. Of course, in reviewing some of this, it goes back several ministers and we've got the two present government ministers, past ministers' statements and one from the Liberal minister who was originally involved in setting up a lot of this.

My question has to do with the information requested for the health care card on the original application form. It seemed to really be based on an honour system, a system where there wasn't perhaps as much checking into it as could have been. We talked a little bit during our discussion about how we've used the old OHIP number system. In fact, a lot of committee members here looked at their card and saw their old OHIP number right on there. I guess that means we haven't been married or changed our names or anything like that.

But my question would be who developed that system, under what government or what was the process, to give us a little bit of history? Who made those decisions?

The Vice-Chair: We know it wasn't your party.

Mr O'Connor: Anyway, if you could give us a bit of history about some of those decisions that lead us up to the current situation.

Mr Decter: I can tell you when decisions were taken. I can't—

Mr Callahan: On a point of order, Mr Chairman—

The Vice-Chair: Order, please. Although it is getting on late in the day, I will allow some humour, but we do have to complete this round. Mr Decter.

Mr Callahan: That is really asking an unelected person, a person who is a civil servant—

Mr Perruzza: That's an opinion. That's not a point of order.

Mr Callahan: —to comment on the policies of a government, which is really something that elected representatives have—

Mr Perruzza: I suggested that's not a point of order.

Mr Callahan: How would you know? You wouldn't know a point of order if you fell over it. In any event, I—

The Vice-Chair: On the point of order.

Interjections.

The Vice-Chair: Order, please.

Mr Callahan: That's not a fair question to ask people who are not elected representatives, Mr Chair, and I submit that it is a valid point of order. Certainly when I was Chair I would never allow a question that dealt with policy to be asked of a civil servant.

Mr Perruzza: He's not in the chair.

The Vice-Chair: Order. I have listened to the point of order and I will say this. I believe that if the deputant does not wish to answer that question, he does not have to answer that question with respect to the partisanship involved. So if you feel uncomfortable answering that question, please ignore it.

Mr Decter: I do have the view that it's a very awkward question to put to a public servant. Along with my immediate predecessor, Dr Barkin, I think between us we've worked now for five, maybe six ministers during the period of implementation of this. I also think my previous minister addressed the issue in the House in October in terms of her sense of it. As I started to say, I can tell you when decisions were made but I think the principles of cabinet confidentiality really prevail. We do not have any insight into the judgements that were made at the time in the weighing of options. We do have documentation which the auditor has seen on the very specific technical proposals about how the thing was to be carried out, but I don't really feel qualified to comment on a fundamental policy issue like, should there have been upfront verification, in the context of changing ministers and governments and so on.

The Vice-Chair: That is perfectly understandable.

Mr Callahan: That's the first legitimate point of order that's ever been made.

The Vice-Chair: Order, Mr Callahan. It's perfectly acceptable.

Mr Perruzza: Point of order.

The Vice-Chair: Mr Perruzza, a point of order.

Mr Perruzza: In reference to the point of order that was raised earlier, there's nothing worse than a politician trying to keep information from the public.

The Vice-Chair: That's not a point of order, Mr Perruzza.

Mr Callahan: Do you really belong in this place—

The Vice-Chair: Mr Callahan, Mr O'Connor has the floor. Would you please continue. You have approximately five minutes left.

Mr O'Connor: Thank you, Mr Chair. The intention behind that question wasn't to point a finger or point any blame at anybody. I think the auditor pointed out in 1987 that there was a problem with the situation. There was certainly some sort of plan to try to evolve the system and bring it up to present-day standards. Far be it, Joe—a little bit of partisanship entering the committee once in a while.

Something that intrigues me then about this system—because we're then looking at a new system that's going to provide better information than we'd had in the past, hopefully, and allow us to perhaps analyse the information better. In the system before, with the 25,000,000 cards out there, I think it would have been rather hard to try to do any long-term planning or any planning of any sort or try to analyse any of the information that was provided. Does this system then allow us to analyse information, and what kind of information? Obviously, there have been some improvements made. Perhaps you can share some of that with the committee.

Mr Decter: It certainly does dramatically enhance our ability to understand the link between the services that are being provided and the impacts on people's health. I think we were struck the other day by a presentation by Dr Fraser Mustard, who heads the Canadian Centre for Advanced Research. He related the story of how two very talented epidemiologists, Dr Noralou Roos and Dr Leslie Roos, had chosen to go and locate in Winnipeg, Manitoba, several years ago despite offers from Yale and Harvard. They had a unique identifier from day one, and therefore in that system you can now look back 20-plus years and do a lot of studies with that database.

With this investment, we're going to be able to do more of that work over time. That's the work Dr Naylor is undertaking, jointly for us and the Ontario Medical Association, at Sunnybrook. So yes, it does enable us, and this is the real payoff for health as opposed to the payoff for the financial side. They're both important, but the payoff for health is when you can start to track people over a period of time, you can start to understand the course of diseases, you can start to understand what works and what doesn't work in terms of interventions and compare interventions at a level of really valid scientific studies.

I know most of our focus today has been on the financial issues, and they're important, as is accountability, but I don't want to underplay for a moment the health benefits. This will let us know much more precisely which things we should be expanding in the way of health services, which things may be not very effective, and that's a lot of trying to manage the system, which is the challenge we have.

1640

The Vice-Chair: Time has expired, Mr O'Connor. It's been requested that we have a five-minute windup, so I'm going to allow each of the caucuses five final minutes for today and then we'll adjourn until tomorrow. I remind everyone that tomorrow we are starting our session at 3 pm and we'll go until approximately 5. Mr Callahan, you have the floor.

Mr Callahan: One of the interesting things in this committee, unlike many of the committees in this place, is that it's supposed to be non-partisan. The purpose of all the members of this committee is to ensure that the taxpayers' dollars are spent wisely and are secured and that our programs are secured as best we can. It's not to comment on the policy of the government of the past; it's to concentrate on what exists today. We appreciate having you people before us, and I certainly am very happy that the auditor went in and made these observations and that they are being approached, but still there are things to be done.

I once again urge you that the choice of how you appear in your nomenclature on the card should not be an option. That should be exactly the way persons identify themselves to demonstrate that they're legally entitled to a card. That way, I would suggest, you close one gap.

I am very concerned about the overall approach, not just your ministry but I'm guessing many ministries of governments, in terms of securing access to very vital and important information in the computer world. That gives me very serious concern. The computer being able to be

broken into by a hacker or just by an employee who decides to retire and has an access code is extremely critical. It's one I think should be monitored with a great deal of care. I understand you're doing that now, but I think there's a lot more that can be done in all ministries to ensure that not just the confidentiality of the public's records is maintained but also the integrity of the system.

There's an awful lot that could be sold to the world out there for big bucks if you have access to computers. I guess that's one of the difficulties of computers if you don't have a sophisticated system set up, to ensure that not everybody has access to a code, that it's a very secured arrangement, and I think you can have real problems.

I think about it and I don't say this to discredit other ministries, but if we were to send the auditor into, say, Comsoc, and found that you could tap in there and have a cheque sent out to you, I mean, think of the matter. It's not only in terms of lost revenue to the government but also in terms of the integrity of the system.

I'm a firm believer that, as I said before, Canadians are prepared to allow safety nets for those people who have difficulty looking after themselves, but they get mad as H when those systems are abused. We were looking at family benefits: \$170 million lost in one year through various reasons, sent to a collection agency, which is within the government, which interestingly enough—and this is not a partisan shot at all, because that collection agency has a rather shaky track record—collected 10% of \$140 million that was sent to it.

I find it really interesting that we're sending those traffic tickets and all these people are lining up at my provincial courts and all over this province because they've already paid their tickets and are screaming like crazy. If those are going to be sent to the collection agency, I would tell the people in Ontario you don't have to worry about it too much because as it presently stands, they won't collect it anyway.

I think the important thing is that we come out of this whole process with a modern, updated informational scheme that will allow people who are legitimately entitled to health cards to be able to use them without concern of anybody that the public is being ripped off. I think it's also important that the doctors who are providing the service to these people are not going to have to do a detective look-see to determine whether or not the card they're accepting, in all fairness, is one that's not going to be honoured. I don't think that's fair to the doctors in this province if they provide services.

So in the final analysis I see all of those things. If that's the result of this committee, then I think we've done our job and hopefully we've been of help to the ministry.

Mr Jim Wilson: Mr Decter, you selectively quoted me from the October 22 Hansard of last year regarding the four Iranian women who were reportedly using—excuse me, the woman who had reported to me that four Iranians were reportedly using our health care system. I think, to be fair, you should have mentioned that in my question to the minister—it happens to be my constituent, the women who reported this to me, and what I indicated to the minister was that this woman had phoned Patricia Malcolmson, the minister's assistant deputy minister for

corporate management and support, on September 11, 1992. I asked the question in the House a month after the woman had phoned Ms Malcolmson because Ms Malcolmson had never called back my constituent, nor was any investigation ever carried out to that point. So it was fair and proper and, in fact, my duty as an MPP to bring that forward in the Legislature, which is the proper forum for that.

I do want to ask you a question, in that you have never answered my question throughout the day of exactly how much money was charged to the 1.4 million extra health cards that had been put into circulation.

Mr Decter: Let me say that we will try to get at this number, but as you would understand, you're asking a question that requires a time definition. Are you asking the question of how much has been charged in total to the 1.4 million numbers, both when they were eligible and after they ceased to be eligible, or are you asking for us to look at when each of the 1.4 million ceased to be eligible and track from there?

Mr Jim Wilson: Actually, you bring up an interesting point. A comparison before and after February 1 would be quite useful.

Mr Decter: Well, we will look at what would be involved in doing that and I will try and give you an answer tomorrow.

Let me say that I quoted quite selectively not because of any grand intent, but just to underscore the difficulty we have. I was not aware of the history, and I will—

Mr Jim Wilson: It's in the question you quoted from.

Mr Decter: Well, let me just see.

Mr Jim Wilson: It's right here if you'd like it.

Mr Decter: No, I have it.

Mr Jim Wilson: Because the point you made in response was that you take these matters seriously, and if it's reported, you do something about it. The point I was making in the House was that somebody attempts to report this last year and nothing's done about it.

Mr Decter: Well, I will tell you what was done about it. Repeated attempts were made to contact the woman in question. She did not return calls. When she was finally contacted, she refused to give more detailed information. We can share with you a detailed briefing on the issue.

Having said that, let me retract any suggestion to do with the individual case. It was a very bad example on my part to choose. In this case, you did everything to bring it to our attention, including asking a question in the House. But I will say that we encounter allegations that aren't specific enough for us to pursue, and in this case, the individual was unwilling to give us enough information to pursue it when we finally did contact her.

So I apologize for any suggestion and any selectivity. We really are very serious about this. That doesn't mean that we're always able to get to the bottom of the cases that surface.

Mr Jim Wilson: Thank you.

The Vice-Chair: Mr Tilson, one quick question.

Mr Tilson: I'm going to ask the question and hopefully you'll be able to answer it tomorrow, because I don't think you'll have the time to do it. It's a question—comment—with respect to page 108 of the auditor's report where the auditor made a statement, and I'd like you to comment on this tomorrow:

"We found that the ministry had not adequately analysed the costs and benefits of some project options. For example, the ministry decided to assign a new health number to every registrant with an existing OHIP number. However, a powerful incentive for the registration project was the elimination of invalid records existing on OHIP. We concluded the ministry had not adequately evaluated the costs and benefits of its decision to rely on the former OHIP data as proof of eligibility for free Ontario health coverage."

I suspect that there is insufficient time to comment today, but if you could keep that in mind tomorrow.

Mr Decter: Certainly. Thank you.

1650

The Vice-Chair: Mr Duignan is next on our list.

Mr Duignan: Very briefly, because I want to yield to the parliamentary assistant to the Minister of Health, I appreciate your coming along here today and giving us the information that you have. I'm sure we all have a concern about the misuse or the errors occurring around the health card issue, and hopefully after the interplaying or interacting between the committee and yourselves today, we will maybe come up with some helpful suggestions that will be able to help you as well.

The Vice-Chair: Mr O'Connor is next.

Mr O'Connor: I know that quite often when we get into the process of the committee hearings, there are times when we do get a little bit raucous. But it has been good for the committee to hear some of the initiatives that you have been undertaking to try to get this situation cleared up, to try to make improvements. It's interesting to see some of the dynamics that perhaps we never even thought of initially: that integration with the post offices around changes of address, with the registrar general in the instances of births and deaths, and with Immigration Canada too, of course, for new Canadians coming over. So it certainly has pointed to a lot of improvements to be made.

One quick question. In your slide presentation, on the page that referred to the birth reporting with the registrar general, target 2Q94 implementation, what is that target?

Mr Decter: The target is to have a single registration form so that when someone registers a birth in Ontario, he would fill out one form that would serve our purposes and the registrar general's, and to have that in place by the second quarter of 1994. That's our hope. It does go to trying to make government more understandable and sensible to the people out there, who after all don't live in little compartments called "registrar general" or "health insurance," but wonder why there's so much paperwork. So it's our attempt to get to a unified, single point of entry for births.

Mr O'Connor: As MPPs, I'm sure we'll all hope that does take place, because I know we do get a lot of calls with birth certificate problems.

The Vice-Chair: Mr Perruzza, you can have the final word for your caucus. There isn't too much time left.

Mr Perruzza: Mr Chairman, recognizing the time constraints, I just want to say that sitting in here in committee and listening to this has been very informative. I recognize that there are some administrative problems with our health care system, but we continue to work towards a better health care system. It's important to recognize that one of the underlying cornerstones of our health care system is that every Ontarian who gets sick and requires medical attention gets it. I think we're all going to work together to ensure that continues to happen. Thank you very much, Mr Chairman.

The Vice-Chair: Thank you, members of the committee. To our deputants, I'm sorry; we've run out of time.

Interjection.

Mr Perruzza: Mr Fletcher wants to—

The Vice-Chair: We'll get to it tomorrow, Mr Fletcher. You'll have plenty of time tomorrow.

Mr Fletcher: Thank you very much.

The Vice-Chair: I would like to once again remind members and our deputants that we will be starting our session tomorrow at 3 pm and we will probably end at 5 pm, so just to—

Mr Tilson: A point of order, Mr Chairman, just to Mr Decter as to who he is bringing tomorrow. You're bringing someone to talk about freedom of information?

Mr Decter: Yes, we will cover the freedom of information issue. I will bring someone on that. On the issue of Mr Runciman's question, I think I may be able to get a detailed answer for that. I don't want to bring someone down from Kingston if I can avoid it. It seemed to be quite a specific question, but—

Mr Tilson: Mr Chairman, if I could just ask: The freedom of information is certainly crucial, and I trust that you'll have some legal person who has advised you and your ministry?

Mr Decter: Yes.

The Vice-Chair: One final thing, Mr Decter. This is a request from our researcher on a question that I asked with respect to one of the discussion papers that you were preparing called the card options; you referred to that earlier. Would it be possible to make that available at some point for the committee's use?

Mr Decter: It's still at the level of a draft paper within the ministry. It hasn't come up to either my level or the minister's level, and I feel a little awkward, not sharing the thinking behind it, but sharing a document in advance of it reaching me or the minister.

The Vice-Chair: That's fine.

Mr Decter: We are, I think, certainly willing to talk about the ideas in it, but—

The Vice-Chair: Fair enough. If it's not for public consumption, then obviously that is not something I would demand of you to make available to this committee, so I appreciate that.

We're adjourned until tomorrow.

The committee adjourned at 1656.

CONTENTS

Tuesday 23 February 1993

Annual report, Provincial Auditor, 1992	P-393
Ministry of Health	P-393
Michael B. Decter, deputy minister	
Peter Burgess, director, registration program branch	
Fred Hazell, executive director, information systems division	
Eileen Mahood, director, claims payment operations	

STANDING COMMITTEE ON PUBLIC ACCOUNTS

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- ***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
- *Callahan, Robert V. (Brampton South/-Sud L)
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- *O'Connor, Larry (Durham-York ND)
Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

*In attendance / présents

Substitutions present / Membres remplaçants présents:

Fletcher, Derek (Guelph ND) for Mr Johnson
Perruzza, Anthony (Downsview ND) for Ms Haeck
Wilson, Jim (Simcoe West/-Ouest PC) for Mr Cousens

Also taking part / Autres participants et participantes:

McCarter, James R., executive director, ministry and agency audits, Office of the Provincial Auditor
Peters, Erik, Provincial Auditor

Clerk / Greffière par intérim: Deller, Deborah

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



Legislative Assembly of Ontario

Second Intercession, 35th Parliament

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Official Report of Debates (Hansard)

Wednesday 24 February 1993

Journal des débats (Hansard)

Mercredi 24 février 1993

Standing committee on public accounts

Annual report,
Provincial Auditor, 1992:
Ministry of Health

Comité permanent des comptes publics

Rapport annuel de 1992
du vérificateur provincial:
Ministère de la Santé

Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday 24 February 1993

The committee met at 1503 in room 151.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1992 MINISTRY OF HEALTH

The Chair (Mr Remo Mancini): The standing committee on public public accounts is called to order. I appreciate the attendance of members and staff from the Provincial Auditor's office, along with the Provincial Auditor and officials from the Ministry of Health. If I could have everybody's attention, we only have a couple of hours today. I wasn't in the Chair when we adjourned yesterday afternoon, so I don't know who had the last round of questions.

Mr Robert V. Callahan (Brampton South): Actually, Mr Chair, we went around, and then we did a five-minute wrapup. So the government would have been the last people to have spoken on this issue.

The Chair: Okay. I appreciate that information. Is there any information from the ministry?

Mr Michael Decter: Yes, we have information on five issues that I could go through—I think four of them very quickly in terms of tabling information, and then on the fifth issue, freedom of information, I have Gilbert Sharpe, our director of legal services, who can answer the specific question that was asked and then if there are any follow-on questions on the FOI front. Would you like me to proceed?

The Chair: Yes, I would appreciate that.

Mr Decter: Okay. Well, first, let me say that I think a small inaccuracy crept into our comments in the discussion of the issue of whether we put on the card the full name as it's shown on the birth certificate or passport or some variant of that. I believe at one point in the testimony we indicated that we checked three data points. That's accurate. I understand the three that we check are surname, gender and birth date, and we might have said "address" at some point yesterday, so just to clarify.

We also had a meeting of the group involved after adjournment yesterday, and we agreed that the suggestion, I believe from Mr Callahan, that we put the full name as it appears on the supporting documentation on future health cards is a recommendation that we think is a very good one, and so we are going to change our policy. We're going to use the full name to the extent it fits. If it's too long to fit, we'll have to use some subset.

So I think it was a very constructive suggestion. We're happy to take it on board.

Mr Callahan: It's made my eight years here worthwhile just to accomplish that.

Mr Decter: The second thing I thought I should table, and I believe someone has copies, is that we made reference to a number of studies we've done, and I thought we

should give you a list which is essentially the table of contents of our book with all the studies, just so you get a sense of—

Mr Peter Burgess: Section 11 is the actual list.

Mr Decter: Yes, section 11 is—

The Acting Chair (Mr Noel Duignan): Are there copies for committee members?

Mr Decter: Okay. We will get copies made, so you know all of the things that we have looked at.

The third was the question, which I believe was Mr Runciman's question, in terms of reviews of physicians, and I indicated I would get some clarity in the annual screening. What we do is, we do a once-a-year computer screen of all of the physicians, the some 20,000 who are in the OHIP system. We rank them, through that computer process, according to the unusualness of their billing practice—that is, its variance from averages. Out of that process, 450 profiles are then referred for review by the professional staff and then, further from that, some 150 or so go on into a further review. So I think we were accurate in saying that they are all reviewed, but it's a machine review, against standards. Only the 450 that are at variance significantly from the averages are specifically reviewed. So that's, I think, the answer on the physician review.

I made reference yesterday to interprovincial comparative data, and we have a table that shows how we compare to other provinces on hospital and medical costs per capita. That can also be made available to the members.

That takes me, on my list of follow-up, to the question of whether the phone-in validation that we're implementing meets the test under the freedom of information act. For that, I'd like to turn to Gilbert Sharpe, our director of legal services, to address the question.

Mr Gilbert Sharpe: I'm going to go through the material in the sequence I understand the questions were raised. The first issue that was put to me was whether it would be lawful for the ministry, in response to a physician's request, to inform that physician that the health card number is or isn't valid and, if the answer to that is yes, would it be lawful to indicate in what respect the number is invalid—for example, an invalid version code or an incorrect birth date.

Our view is that with proper security in place—I think you've heard evidence about how the physicians would have to put their own number into the system in order to get a response—the ministry may inform a physician that a particular number is or isn't valid and can indicate why the number is invalid. This is authorized by existing legislation and is consistent with FOI.

To get into our rationale a little bit for this opinion: Assuming that disclosing this information, saying that it is or isn't valid, is the disclosure of personal information—

and one might argue it isn't, but for the purpose of our discussion today we'll say that it is—there are three sections in the freedom of information act that could be applied to justify this. One is clause 42(a), which provides that personal information can be released in accordance with part II of the freedom of information act. Well, clause 21(1)(d)—and I can provide you with copies of this so that—

Mr Callahan: We have it.

Mr Sharpe: Do you have it? Or if you wanted a copy of—

Mr Callahan: I think we have copies of the act.

Mr Sharpe: Okay.

Mr Callahan: But we'll take copies of your opinion as well.

1510

Mr Sharpe: Sure. We can get you copies of that too. But 21(1)(d) permits disclosure "under an act of Ontario...that expressly authorizes the disclosure." Well, there's a Health Cards and Numbers Control Act that was passed in 1991, and subsection 2(2) of that states that "a person may collect or use another person's health number for purposes related to the provision of provincially funded health resources to that other person." So, in our view, the validation scheme would fall within this section. I have a copy of that legislation here as well if the committee members would like to see it.

There's also clause 38(2)(c) of the Health Insurance Act. I also have that with me. That states that the general manager of OHIP can furnish to the service providers—that would be the requesting physician here—information concerning "for whom" the service was provided. In our view, the validation scheme would fall within this provision where the doctor requests validation after the service has been provided.

There's also an argument under 42(c) of the freedom of information act that permits the disclosure of personal information where the disclosure is "for the purpose for which it was obtained or compiled or for a consistent purpose." I brought with me some rulings of the freedom of information commissioner that give a fairly broad interpretation of "consistent purpose," which we also feel would apply here.

Finally, there's clause 42(e) of the freedom of information act, where the disclosure is "for the purpose of complying with an act of the Legislature," and we feel that because of the reference I've made to the provisions of both 38(2)(c) of the Health Insurance Act and 2(2) of the health card legislation, one could also argue under 42(e).

So, in a very brief overview, that's the basis of our opinion that the scheme that was described to you does not offend the freedom of information act.

Mr Decter: To be fair, we didn't fully describe the scheme yesterday and, just to be very precise about it, the physician who calls in will have to code in a provider number. That is, they will have to code in their physician provider number or lab provider number, a password, and then the health card number in question. So there is not, in our view, a possibility of someone simply calling into the

number and testing out a series of health card numbers without being properly identified as a provider.

I don't know if there are specific questions for our legal—

The Chair: You're finished. Is that it?

Mr Decter: Yes.

The Chair: Mr Callahan, let's try 10 minutes.

Mr Callahan: All right. I'm going to make one more suggestion to you that might be very inexpensive and might be a way of safeguarding the integrity of the system. As you're probably aware, if you go into a bank or a trust company and you have a deposit book, you sign your name in the front of the deposit book and they run it under an ultraviolet light and they can determine whether or not the signature you're giving on the deposit or withdrawal slip is that that appears on the deposit book.

If you were to have a system in place on the back of the card where the signature, perhaps taken from the application form itself, would be put on to the magnetic strip or some other type of material that would allow a doctor to simply run it under one of these small ultraviolet lights—I'm sure they're very inexpensive—and have the person sign their signature and match it to the two of them, there'd be no way that there would be any service that could be provided to a person other than a legitimate holder of the card. So I offer that to you as a way of safeguarding the system.

Having said that, it's my understanding that you still maintain an eight-digit number for some people—am I correct?—as well as 10 digits.

Mr Decter: I'm not aware of—

Mr Burgess: Fred is perhaps a better person to answer this question, but an eight-digit number is utilized within the processing of a claim to enable the history that applies to the individual from, if I can put this in quotes, "the old OHIP days" so that we can look at activities which have occurred over an individual's lifetime for a check.

Mr Callahan: So it's retained internally.

Mr Fred Hazell: Yes, but it's not used externally.

Mr Callahan: Every time you duplicate a system, it costs more money to maintain it. What is the purpose of maintaining the eight-digit number at this point if you've already got the cards out in place?

Mr Decter: My understanding is we're in the process, through claims rewrite, of moving that data across to the 10-digit number inside our system. It's simply that we didn't want to lose the data stored against the old numbers, so it's unfinished business in terms of the project. I think Fred could speak to the timing of the claims rewrite, but it is the last piece of eliminating the eight-digit number internally to our data storage system.

Mr Hazell: We're presently doing the analysis required to rewrite the claims system, so this is an interim measure until we get there.

Mr Callahan: I have a few more questions here. Is it correct that the registration system has recently been reporting persons as dead who in fact are alive?

Mr Burgess: Yes. That did occur.

Mr Callahan: How often?

Mr Burgess: I'm not sure of the numbers and I'm not sure that I have them with me. It was a relatively small number where true duplicates in fact were removed from the file erroneously, true duplicates being when matched against the registrar general's death notification that we received in July or August, where a Fred Smith, where there was more than one Fred Smith on the file and we had no accurate date of birth coming over from the registrar general, the system erroneously removed or indicated the wrong person as dead. To the best of our knowledge, there were a relatively small number, tens rather than hundreds, and they've all been corrected.

Mr Callahan: Was this because you only took a sampling from the registrar general once a year?

Mr Burgess: This was because we had never taken a sampling from the registrar general prior to that time.

Mr Callahan: Is it intended that eventually we'll have on-line computers with the registrar general and a whole host of others, MTO, Ministry of Transportation, or whatever it's called now?

Mr Burgess: I'm not sure about the use of the word "on-line," but certainly we are now, on a monthly basis, exchanging a tape of information from the registrar general, matching it against our files, and since we have been doing that exchange on a monthly basis, there has been no occurrence of an incorrect assumption of death. We've changed our matching algorithm, the way that we match against our file. As our deputy mentioned yesterday, we have ongoing plans to exchange data to improve the accuracy of our file, particularly in the area of addresses, with other organizations like MTO, yes.

Mr Callahan: This committee learned through the auditor's report—I think it was the auditor's report—that in fact birth certificate blanks, I guess they were called, had been taken from the registrar general and used in an inappropriate fashion. Is there any evidence that any of these birth certificates were used to obtain health cards?

Mr Burgess: We have no evidence that would suggest that, no.

Mr Callahan: When you do catch somebody, if you have, other than the one you told us about where I think you said you were giving evidence on a prosecution, do you prosecute people when you find that they fraudulently used the document? Do you try to retrieve the health card? In addition to that, do you try to recover the claims for the ineligible claims? The reason I say that is that I understand that a doctor who accepts the card and it turns out to be a card that's not active, that doctor has to, to use the vernacular, eat the cost of the services. I guess what's fair is fair. First of all, have you caught people with illegal cards; have you prosecuted them; have you retrieved the card; and finally, have you attempted to collect the cost of the services that they have fraudulently obtained?

Mr Burgess: Let's see if I can get them in the same order, but I won't guarantee that I will.

1520

I checked with my staff in Kingston this morning. We have currently five cases under review by the police. None of those cases have come to trial yet. What will happen, I couldn't judge. Prior to that, where we have prima facie evidence of an individual having a card without an entitlement, we indicate to the individual that we are cancelling eligibility. The individual then has the right to appeal to the Health Services Appeal Board. If my memory serves me correctly, up until August of this year we had gone to the Health Services Appeal Board with some 64 or 65 cases. I think our decision had been upheld in all but one or possibly two cases. The Health Services Appeal Board may then make the decision as to whether restitution is made or not.

Mr Callahan: Or if they're convicted you could also ask for restitution.

Mr Burgess: That's right, but as I say, we haven't come to the conclusion with those five cases yet.

Mr Callahan: On the question of physicians, over the period from 1989 to 1992, can you tell me how many physicians have been investigated and how many have been requested to repay overpayments they received?

Mr Burgess: I really can't tell you.

Mr Callahan: How about if I help you out? In 1989 to 1990, there were 59 physicians investigated; 47 physicians were requested to repay an amount of \$1,511,119. Does that sound accurate? In the year of 1990 to 1991, there were 53 physicians investigated; 40 physicians were requested to repay a total of \$3,062,799. In 1991-92, 37 physicians were investigated; 32 physicians were requested to repay \$2,114,913.

Mr Decter: These are numbers that our communications branch supplied to the public in response to a question some months ago.

Mr Callahan: Is that right?

Mr Decter: Yes.

Mr Callahan: So they are accurate.

Mr Decter: I believe those to be accurate, yes.

The Chair: Mr Tilson, you have 10 minutes.

Mr David Tilson (Dufferin-Peel): Mr Decter, you made a comment yesterday that if it was discovered that certain cards were not valid or illegal or for whatever purpose not valid, payments would not be made. That policy came into effect as of, I believe, February 1.

Mr Decter: Yes.

Mr Tilson: In doing some research, one of the concerns that I have is that my understanding is that if a patient comes to a doctor, the doctor must provide that service whether he has a card or not. In other words, if someone comes and asks for medical assistance and his card turns out to be invalid as a result of a check, the doctor can do one of two things. He can not provide the service or he can bill the patient. My concern is that by your statement yesterday, essentially are you not telling the doctor to break the law, because the Health Insurance Act says, "Thou shalt provide medical service, no matter what," no matter

whether there's a card or what. It's putting the medical association into a great deal of concern. Would you comment on that?

Mr Decter: Yes, and I'll ask Gilbert to help me out on the legal aspects. My understanding is that a practitioner is not able to refuse urgent care to someone, but the decision and determination of who the proper payer is, in a non-urgent case, is a contractual matter between the patient and the provider. That is, if someone presents at a physician's office and he has no health card or an invalid health card, the physician may well wish to provide the service on the basis of another contractual arrangement. That is, if we take the case of a tourist visiting from the US, the physician is well within his or her right to insist on seeing how the bill will be paid before he or she renders the service.

So the compulsion, as I understand it, on the part of providers, is in the case of emergency or urgent cases where there is a legal compulsion, but if I present at a physician's office and am unwilling to provide evidence that I'm an insured person, then I don't believe the physician is under any obligation to render me a service. But I'll ask Mr Sharpe, who has a much longer history in these matters than I, to see if that's an accurate condition.

Mr Tilson: I appreciate that Mr Sharpe may have some thoughts on this, but I guess there's the issue of implication that simply, "If you don't have a valid card you're not going to get health service; we're not going to pay for it." That appears to be the philosophy of the Ministry of Health, which puts the doctor in a very difficult position.

Mr Decter: I think I walked through this yesterday carefully and I'll do it again now.

Three years ago when the new health card/new health number came in, the government changed its policy to allow payment where the card number or the version code was invalid. We are now reverting to a policy that says the physician has to, along with a claim, submit a valid health number. Every physician in this province, every laboratory, every clinic and every hospital that bills OHIP has three years of remittance advice from OHIP indicating which numbers that they've been billing against are valid and which numbers are not valid.

We have spent three years and considerable effort to feed back to everyone involved the information they need to update their records. Now, for whatever reasons, we have not seen that updating take place, so as of February 1st we have indicated that the updating will need to take place prior to the physician or the hospital or the lab or the clinic being paid for the bill.

What's important to note here is that these are 3% of total claims that we receive on a monthly basis. It is our expectation that the vast majority of these can be cleared up with data already in the hands of providers.

Mr Tilson: I guess all I'm asking you to do is that before you pursue that policy you check the provisions of the Health Insurance Act. Mr Sharpe may or may not have some comments, but it's just that the impression that has been left is, "Doctor, we're not going to pay," and then the doctor's in a terrible position because he has to comply

with the Health Insurance Act, and if there's something very serious he's got a big problem.

Which leads to another question, Mr Decter, and that is—

Mr Decter: I don't agree with your summation. The Health Insurance Act is here and we have someone capable of giving, I think, a very good interpretation of it. I don't accept that we have placed physicians in a position where they're going to provide care and not be reimbursed.

Mr Tilson: Well, that's not quite true. You have said that "If you don't have a valid card, we're not going to pay for it." That's what you've said.

Mr Decter: And we have also said that, "We have been telling you for three years which card numbers are valid and which are invalid, and that we will pay the claim immediately upon resubmission with a valid health number."

Mr Tilson: Notwithstanding the duplicate problem that this system has created?

Mr Decter: Well, I would take the view that this system has reduced by 14 million the duplicate problem rather than increasing it; it's not solved yet. We are not saying that we are unwilling to pay these claims; we are saying that to be paid they have to be accompanied by a valid health number and that, as every provider in this province has three years of data that they can look at to determine which patients—and understand here, most patients do not present once. We are dealing with 10 million claims a month; that's one claim for every person in this province on a monthly basis, 120 million claims a year. In virtually every case we are dealing with multiple claims from the same provider for the same patient.

Yes, we are asking physicians to help us by making the records accurate, but I think it is frankly unfair to suggest that we are catching the physician between some significant volume of service and unwillingness to pay. We will pay all of these claims once it's established that they have been rendered to an eligible person.

1530

Mr Tilson: I guess the concern that one has is that there may or may not be an issue that a card is a valid card. The systems haven't been perfected yet. One of the questions that I understand that has come from ministry officials that I've spoken to is the issue of retroactivity. In other words, a card may be valid today and could be retroactively deleted in the future. I don't know what the system is going to do with situations like that.

Mr Decter: Well, my view would be unless there's some organized case of fraud involved, we certainly don't intend to go back retroactively. This is a new policy as of February 1. If the card number was valid at the time the service was rendered, then we will of course pay for it.

I should stress—

Mr Tilson: You have that guarantee to the doctors, do you, that—

Mr Decter: Yes.

Mr Tilson: —notwithstanding any retroactive position of invalidity, in other words a card may be valid today but tomorrow it may not be valid, the fact that the doctor

has something—how are you going to ensure that the doctor will know that the particular card is valid?

Mr Decter: I guess two ways. One, we will provide remittance advice to the physician on a monthly basis indicating which, if any, of the numbers submitted are invalid. If the physician has a valid number against which he's been billing and it goes invalid—someone dies, for example—and then we get a billing, we're not going to pay that billing. But if we've made an error, if for some reason that person is still alive, still is a valid eligible person, then when that's corrected we will pay the claim.

Mr Tilson: I'm trying to anticipate the section, because there are all kinds of holes in the system that have been pointed out to you, and you're working to solve those and I appreciate that.

The fact of the matter is that it would appear from statements that have been made that a card could be valid today but for some unearthly reason it could be made invalid tomorrow. The doctor phones you up—not you but whoever, these machines or whatever you're implementing—and it's determined that at that time the card is valid. He or she performs the service; then they find out later that the card is invalid. What happens then?

Mr Decter: It will be as of the date of service. Let's look at a couple of ways—

Mr Tilson: What evidence will the doctor have that the system, that the card—all he's got is a telephone call.

Mr Decter: Well, he's got a call saying the card was valid at a date. We may have some adjudication, but let's look at how a card might become invalid.

Mr Tilson: You are going to have a lot of adjudication if this happens.

Mr Decter: Well, time will tell. I want to be clear on two things. One, we don't think the new policy as of February 1 solves all our problems. It is one of a whole large range of measures that we feel we have to take to improve the effectiveness of the system and the database and to make sure that we're not paying claims we shouldn't.

Let's look at how someone's number might go invalid. If the patient turns 65 they get issued a new card with a version code. Their old number goes invalid. That one's relatively easy for providers because they would have in their records a birth date and they would know when a patient was 65. So that one is simply a matter of saying to the patient, "Mrs Jones, you've turned 65; you have been issued a new health number; please bring it along so we can update our records."

The second case might be someone comes off the list because they're deceased. In that case we're not very eager to be paying claims for a deceased person.

Mr Tilson: Mr Decter, if I could—

The Chair: Thank you. Mr Perruzza.

Mr Anthony Perruzza (Downsview): Thank you very much, Mr Chairman. I understand that I have 10 minutes, and I don't think that my questions will extend to 10 minutes.

The Chair: I know Mr O'Connor has questions, and Mr Hayes has questions left over from yesterday. We'll use the 10 minutes.

Mr Perruzza: Okay. All right, fine. My questions basically have to do with card access, and I'd like to pick up a little bit on where I left yesterday with my own questions, and it relates to access. I wanted to know, very briefly: What kind of access does the individual person have with the cards as they relate to ministry files? Would I be able to contact you or write you and say I'd like to be able to access my file, I guess it would be my billings file with my doctor, and know what's on my file? What information would you give to me if I did that?

Mr Decter: I'll ask others at the table. I don't believe we would have a file organized on a patient basis. We would store data on the basis of claims from providers. The only file that I believe would exist would be your patient record and that would be held by your provider/physician/hospital. But let me ask others to comment briefly.

Mr Hazell: We would very likely refer you to your physician, because we would not be keeping a file on you per se. It would be a provider or physician file that we'd be carrying on the system.

Mr Perruzza: So in keeping with that, how does one go about catching fraud? For example, let's say I go to a doctor and I get visited by Dr X and I give them my health card number etc and I go away and Dr X doesn't see me for a long time but decides that they're going to submit a bill on my behalf to the ministry.

Mr Callahan: You're suggesting doctors do that?

Mr Perruzza: I'm suggesting that there's a potential for it. I'm just picking up on, actually, your thinking and how one can be creative in circumventing the rules of the game for monetary gain. So how would I be able to do that and how would one check that?

Mr Decter: Someone more knowledgeable than I has whispered in my ear: Under FOI we will provide you with all of the services that we have paid on your behalf as an insured person. So if you wanted to know what services we have paid for on you, we would, under FOI, make that information available. Now, that would constitute a record under FOI; it wouldn't constitute a very elaborate—you know, it would be the code under which the billing had been taking place. So, for example, if your doctor saw you for a general examination, it would have a code and probably say "general examination." It wouldn't say what the diagnosis was or what the treatment was.

We have looked at whether we might send out to a certain percentage of people a profile. I believe that's done by the medical review committee when it investigates. When they're investigating a particular physician they would contact a number of patients to make sure that the services have been rendered. I don't know if we'd do that, other than on request, at the moment. Would we do a sample?

Mr Burgess: I'm not sure. Again, Fred is probably the better person to answer this.

The Chair: Let's hear from Fred, then.

Mr Burgess: I know that we used to randomly select and send out for confirmation. Fred?

Mr Decter: I can get you the per cent, but we do send some percentage of the people of Ontario their profile each

year and ask them whether those services were in fact rendered.

Mr Perruzza: So you automatically send it to them, even though they may have an invalid card. Do you do that on the basis of the number? Do you do a random sort with your computer and say, "We're going to pick up these 5,000 people and send them a questionnaire on their medical services"? Is that the way it's done?

Mr Hazell: My understanding is it's done on a random basis or it can be done on a selective basis. It's automatically done each year on a random basis.

Mr Perruzza: Okay.

Mr Decter: Maybe I'll bump the lawyer to the back row and ask Eileen Mahood from claims payment to give you a more precise answer. Sorry, Gilbert. I always feel more secure with my lawyer.

Mrs Eileen Mahood: Yes, I know. I don't offer as much protection as the lawyer.

We do a random audit by claims service, not by health number. Therefore, we send you a letter and ask you, "Did you receive this service from this provider on this date?" and we ask you to validate that. Then, those that are returned, if they are "No," we investigate; if they are "Yes"—

Mr Perruzza: So it's just simply a yes or no answer, or is it a complicated form? What if the form's not returned?

Mrs Mahood: If it's not returned, we can't do anything about it. We don't follow up on that. We do it as a random audit check, but most people are serious about this, so we believe we have a good rate of return, but I can't tell you the exact number that is sent out. It's done monthly. It's a random sampling from the claims file.

Mr Perruzza: When someone under—you said FOI; I guess that's freedom of information. That's a freedom of information form that they have to fill out, and not necessarily a Ministry of Health access-to-information form. Is that correct?

1540

Mr Decter: It could come in any form. We receive freedom of information requests in letter form, fax—

Mr Perruzza: And you would send it on the basis of a request for a letter? "This is what my health card number is; signed," and then you would get that. But you don't necessarily get confidential medical information. You'd just get, "Yes, you went to Dr X on such and such a date for this service."

Mr Decter: Yes, medical information by and large rests in the patient record which is held by the physician. So if you were writing to us to say, "I want to know what my diagnosis was or my treatment," we would refer you to your physician or other provider. If you wanted to know what services we had paid for on your behalf then we would provide that list of services, so there's a distinction between the services and the medical record, which we don't hold.

Mr Perruzza: My last question is, there isn't a proactive policy to provide people with what it actually costs in terms of medical services for a year. You don't randomly

do that so that kind of information is provided to people so that people are a little more conscious of what a doctor's visit actually costs or a visit to a specialist or a visit to an emergency section of an hospital. It has been my experience that when people are actually confronted with and are provided with that information they're just astounded at what medical services actually cost. You know, they sit and scratch their heads and then they try to figure out the kinds of services that they could do without. It's very easy to just simply pick up and go to a doctor or, if you wake up and you have a stomach-ache in the middle of the night, to drive over or have yourself driven over to the local emergency ward, but when people actually know that visit is going to cost you \$400, \$500 or \$600 or cost somebody that amount of money, people tend to be a little more cost-conscious. So there isn't a proactive policy, is the question.

Mr Decter: There isn't yet, but if you look in the package of slides that we presented yesterday, and I think this one was very near the and that I went by it pretty quickly because the committee was eager to get on to questions, we made reference to a consumer monitoring system and at the very bottom "annual statement of services." We are moving towards having the ability to do this and we would like to do it in the future to provide people with an annual statement of their services. Whether we would provide everyone or we would provide a certain percentage every year I don't think is a question we've addressed. One of our hospitals, Sunnybrook Hospital, did start to do this.

We have a little bit of concern and want to do some testing. Our concern, if I can be direct about it, is we don't want to cause fear in some of our senior citizens, in that no matter what you put on it they might see it as a bill. Although we would like people to be aware of how expensive health care is, we're very worried about creating fear among any of our seniors that would cause them not to seek services they need. As you can imagine, getting something in the mail that might look like a bill and might add up to tens of thousands of dollars might have an effect of actually causing fear and illness. Sunnybrook had some reaction of that sort. I think we'd have to do some good focus testing. We'd probably need to have a good communication strategy. I think it's an excellent idea. There is a small downside in that some of these bills would come as a real shock to some people, and our desire is to inform, not to scare people.

The Chair: Thank you. Mr Perruzza, you've used up 13 minutes instead of 10, but that's fine. They were important questions. Let's try a 15-minute round. Mr Cordiano, then Mr Callahan.

Mr Joseph Cordiano (Lawrence): I just have a quick question with regard to future projections in terms of the number of cards. Do you have a handle on how many new issuances there will be, which includes of course new births and net new immigrants, coming into the country over a year-to-year basis and what the projection is for that? Do you have these projections that you're making?

Mr Decter: I believe we're currently experiencing 150,000, ballpark, new births a year in the province and I believe our immigration is running—it varies a little bit—at 40% to 50% of the national. I believe the national is

250,000. On that basis, we're looking at another 100,000 to 125,000, not quite as many coming in through that route as through the birth route, but if you put the two together, it's somewhere in the order of 250,000 to 300,000 new eligible persons a year.

Mr Cordiano: You also have this reconciliation process for people who are taken off as invalid—deaths etc?

Mr Decter: Yes.

Mr Cordiano: And people leaving the country, which I imagine also occurs.

Mr Decter: We would have deaths and immigration, either out of the country or to other provincial jurisdictions, coming off, so the net would be smaller than the gross. Peter, deaths are?

Mr Burgess: It's a little in excess of 100,000 per annum. It's somewhat less than the birth rate.

Mr Cordiano: I have just one final question, Mr Callahan. I asked this question yesterday. With respect to the equipment which will automate doctors' offices, screening equipment, you gave me a figure yesterday, I believe, of approximately \$5,000 per unit in cost, which would have to be added. Is that correct?

Mr Decter: I don't recall giving a figure, but—

Mr Cordiano: I may have read it in some briefing material.

Mr Decter: Okay. Eileen, again, can help out here. Apparently the number's right even if I don't remember giving it.

Mr Cordiano: The number's correct?

Mrs Mahood: It's a range and it depends on how sophisticated you want to be. We estimate that to be between \$5,000 and \$8,000 unless you want, without being product-specific, to go to the very high end. You can spend much more than that, but you certainly don't need to. For that you will get more than just a simple billing package. You will get other things in the software package that will let you do other practice management. It's in that range—hardware and software.

Mr Cordiano: All right. I won't get to this next question, but I'll do that tomorrow. One of the local doctors in my community asked me to ask this question, but I'll do it tomorrow.

Mr Callahan: I wanted to re-emphasize, just so you're clear on what I'm talking about with the signature, that this is a passbook. It's my passbook.

Mr Decter: This isn't rehearsed, I assure you. I should have one too.

Mr Callahan: I'm not trying to do an ad for Canada Trust. What they do, and I'm sure it's the same as in yours—

Mr Decter: Right in here there's a signature. They put it under the ultraviolet.

Mr Callahan: In the front of it there's a signature which cannot be seen except if it's run under an ultraviolet light. I don't know what an ultraviolet costs, but I'm sure it's a lot less expensive than these machines we were talking about. If in fact you had a process whereby the application was made by the person, he had to sign his signature in the

presence of someone and that signature's on file, either on microfilm or on regular copy at the Kingston office, when the person goes in to get the service from the doctor, in order for that doctor to collect that person would have to sign at the bottom of some form. Then he could just simply ask for the card.

The signature wouldn't even have to appear on the card itself. That would be dangerous as well because people could in fact forge it. If somehow it's on the magnetic tape, just as it's been done on this book here, they just run it under an ultraviolet light, take a quick look-see at whether it matches the other one. I think that way you could be fairer to doctors too, because if a doctor did that, similar to the merchant who calls down to the Visa or Mastercard outlet when a purchase is over \$100 and gets a number from that person, then he is entitled to be reimbursed. Even if that card has been stolen or is being fraudulently used, they get paid.

I would suggest that if you set in process this type of procedure, then I think it would be fair that a doctor or a health care provider would be paid so long as he had checked the signatures rather than the numbers. You could tell that very easily because it would be their obligation to do that. I suggest that's an avenue to pursue. It's a lot less expensive than bringing in all these machines we were talking about yesterday, the swipe machines. I don't know what they cost, but I'm sure they're more expensive than ultraviolet light. I offer that to you as a suggestion of an inexpensive way to accommodate not just the doctors but also the public and to avoid fraud.

Having said that, I have a few questions. Perhaps legal counsel can help me with this one. We understand that the availability of a health card and health services is if you can prove you're a resident of Ontario. If a person obtains a US green card to go work in the US, is he deemed to have ceased to be an eligible resident of Ontario for the purposes of the Health Insurance Act?

1550

Mr Sharpe: That's a good question. I'd have to take a look at the interpretations of residency. Could I bring that answer back?

Mr Callahan: Okay, sure.

Mr Sharpe: My assumption would be that if he's factually still a resident of Ontario and receiving services here, the fact that he may have obtained a privilege to work in the States at some point doesn't necessarily render him ineligible. But I'll do a bit of research on it and get you the answer.

Mr Callahan: Okay. The reason I asked is that I asked questions yesterday about the policy that was introduced by the minister some time in the last sitting of the House. I can't remember when it was, the sitting was so long ago.

The Chair: Some time last year.

Mr Callahan: I think it was in 1992. I want to avoid the partisanship, Mr Chairman.

The policy is similar to the income tax arrangements, people who resided outside of Ontario for 183 days. I understand it's not just outside of Canada. If you went to glorious Prince Edward Island for 184 days, you should,

under that policy, be denied access to coverage in Ontario. The question was, how were we going to police that? I was given an answer and I guess it was the best answer you people could give. I appreciate it's a very difficult one, but I think the problem is that you're going to have people who are going to observe that to the letter and then you're going to have a whole host of people who are going to just ignore it. I would urge you to suggest to the minister that it's probably a policy she should wipe right off the books. It's not enforceable.

It's kind of like when I was at city council. We used to pass bylaws and I always got upset when we passed the bylaws because I said, "You haven't got enough bylaw enforcement officers to check the bylaws." What happens is, you pass all these things, they're only enforceable on complaint and suddenly the law because an ass—that's a donkey, a mule—and there's not much point in doing it if you can't enforce it. I would urge you to take that back to the minister and suggest that this policy is unenforceable and all it does is scare senior citizens who are going to be constantly checking their calendar to make certain they haven't stayed out, trying to keep the days together. I think all it does it cause them anxiety.

In line with that, I always thought that the policy of health coverage was universal, and yet it seems to me that in every province of this country there are different rules and regulations. I would ask you, in a province other than Ontario, if a person becomes ill in Florida or someplace outside of Canada, does he receive just the rate that OHIP or whatever the equivalency is in that province pays or does he get full compensation paid?

Mr Decter: Let me tackle a couple of these because, without giving full answers, I can give you partial answers. On the green card issue, we have a Health Services Appeal Board case where they ruled that someone who held a green card was ineligible by virtue of that. This is an appeal board. It's not a final, final authority, so that may or may not hold up, but we have at least that case.

There are quite different circumstances if you're not in Ontario but in another province of Canada. After 90 days you're covered by the other province's plan.

Mr Callahan: Automatically?

Mr Decter: Automatically. Well, you have to apply, but there is no circumstance in which you're without coverage. If you're a Canadian and you move between provinces, you're either covered by the province you've left for 90 days or you're eligible for coverage in the province you've moved to. Although you're right that there are differing rules, slightly different coverages among the provinces, significantly different coverages on things like drugs that are not covered in the Canada Health Act, the package of insured services is quite similar across the 10 provinces and two territories. A Canadian citizen or a Canadian resident is not in any peril moving. They are covered on one end or the other.

If one goes out of country, Ontario had actually been the province out of line with the others in that until the change of policy in October 1991 we had been paying full rates out of country. Most of the other provinces never paid

more than their own rates and some of the other provinces never paid anything at all out of country. It's completely discretionary under the Canada Health Act. Ontario was, in essence, the generous province in that regard. When we pulled back to paying Ontario rates, we became very concerned that our Ontario people, when they go out of country, buy the supplementary insurance.

Our concern is as much that from day one out of country, if you don't have supplementary coverage, you've got a risk as at the end of six months out of country. We don't want the taxpayers of Ontario to be paying the portion of six months plus a day. Our concern is very much that people understand that our coverage, although it's sufficient in Ontario, is no longer sufficient once you go out of the country, but people who travel among the provinces have portability of benefits among the provinces.

Mr Callahan: What is the penalty if a person who would normally be eligible for health insurance fraudulently uses the card. Is the card taken away and they lose access to the health care for ever?

Mr Decter: The penalty under the Health Insurance Act makes it an offence to obtain benefits fraudulently or to provide false information in an application. Section 44 provides for a general penalty upon conviction of a fine of not more than \$5,000.

Mr Callahan: That's about \$25 in realistic terms, if they were convicted in a court.

Mr Decter: We had one conviction last year. This was a person using another person's health card. They were to receive hospital services and the retribution or payment was \$600 in that case.

Mr Callahan: What was the cost of the service that was defrauded?

Mr Decter: I don't have that information. I think we have not had a lot of court experience in these things. Generally, I believe if someone were even, post an offence, an eligible person, he would have a health card. If they were not an eligible person, obviously they would not have a health card. There's no penalty in terms of being deprived of benefits that are lawfully yours. There is, however, a fine under the act for either fraudulently obtaining services or providing false information in an application.

Mr Callahan: The summary conviction range of penalties was increased to what? Generally, I think it's \$10,000 or higher. I would certainly recommend that the outside limit of that penalty be much higher. I'd even recommend that instead of prosecutions under that act, in the appropriate cases they should be done under the Criminal Code. We're trying to nip in the bud the potentiality and the actuality, because you've told us that there are cases where cards have been improperly obtained, where services have been improperly obtained. We're talking about the health—not to use a pun—of this system in terms of ensuring that people recognize that it's a privilege to live in this country and to have access to that type of health care.

1600

We watch what's going on down in the United States: That's probably one of the most singular things that got

Clinton elected, the promise of a universal health care system that's the envy of the world, and yet unless we have a penalty system that makes it significant enough that people aren't going to cheat or participate with others in cheating, then I think all we're doing is putting a licence fee on cheating.

Mr Decter: We have some proposals under way to consider increasing the level of fines in the statute, and I believe that we also have access to—or the Attorney General would, under the Criminal Code—pursuing prosecution there.

The Chair: Thank you. Mr Wilson; you have 15 minutes.

Mr Jim Wilson (Simcoe West): Mr Decter, I just want to go back to the discussion we were having yesterday concerning the 1.4 million cards out there in circulation that, you tell us in your reconciliation summary provided to the committee, are deemed inactive—and I take your word that you believe they are inactive—on the system. I just want to ask you: How did you determine which of the 12.2 million cards that have been issued were deemed part of the 1.4 million that were subsequently deactivated?

Mr Decter: I think I'll ask Peter Burgess to deal with that question.

Mr Burgess: Surely. I don't have the reconciliation in front of me, but there are a number that automatically get deemed ineligible when the new card gets issued for those who turned 65. In the case of a card being reported stolen, it is immediately deactivated and a new number issued.

Mr Decter: So, looking back to yesterday's presentation, about one million Health 65 cards have been issued as of November, so one million of the 1.4 would have become invalid, because we would have issued to people turning 65 a new card with the new version code. As to the other 400,000, I think we would have to look at the reconciliation numbers to be able to give you that.

Mr Burgess: There were—this was as of January 20—1,056,046 cancelled or voided cards that had been signified to the database. There were 15,493 that had been reported as damaged; they were identified in the database as being no longer eligible. There were 267,288 cards notified to us as being lost—we again struck those from the database—and 63,675 had been stolen. That comes to a total of 1,402,502.

Mr Jim Wilson: So let's just explore this for a minute. You issued, as of January 1993, 12,201,149 cards. Break down how many you've deactivated. A million because they'd turned 65—

Mr Decter: Well, I was trying to read off this chart. We've deactivated—

Mr Burgess: That would be in here.

Mr Decter: Yes. That's 1,056,046 cards that have been cancelled or voided, the vast majority of those because people have turned 65, and the balance of the 400,000 lost, stolen or damaged. So the 1,402,000 cards have come off the database on the basis of those four reasons, leaving the 10,820,573.

Mr Jim Wilson: Okay. What I'm wondering is, of the 12.2 million cards issued, how many would be duplicates, and where do they show up on your reconciliation summary?

Mr Burgess: The duplicates show up under the column—I believe it's entitled "Registrants that should be removed." We have 153,025 duplicates on the file.

Mr Jim Wilson: My number there says 272,000.

Mr Burgess: Yes, that's part of that 272,000. Sorry.

Mr Jim Wilson: So of the 272,531—

Mr Burgess: Yes. Of that number, 153,025 are duplicates.

Mr Jim Wilson: And of the 153,025 duplicates—first of all, when did you start adding version codes to the information contained in the magnetic strip?

Mr Burgess: From day one.

Mr Jim Wilson: Not in July of 1991 or thereabouts?

Mr Burgess: From day one. I mean, the first time—if a card had been issued in July 1991—July 1—and reported lost on July 2, a new one would have been issued on July 3 with a version code.

Mr Jim Wilson: When did you start issuing cards?

Mr Burgess: In July, 1991.

Mr Jim Wilson: That's the first issuance of cards?

Mr Tilson: In 1990.

Mr Burgess: Sorry—1990.

Mr Jim Wilson: So what happened between July of 1990 and July of 1991 with respect to version codes?

Mr Burgess: Sorry. Let me go back. The first day that we issued the first card, 1990, the time that we put version codes on, was the first time that one had been reported lost or stolen.

Mr Jim Wilson: So—just to clear this up—so there were never multiple cards issued to a single person with the exact same information on them. You're saying, any subsequent card after the first issuance always contained a version code.

Mr Burgess: Yes. That's, to the best of my knowledge, absolutely correct.

Mr Jim Wilson: And how does a physician know—say he runs it through the magnetic strip reader that some have attached to their computers now; they're not interactive with the ministry, but they're interactive with their own computers—and he has version three of the card, whatever the coding is for that: the auditor told us it was an ABC system, but some of the cards I have that are duplicates have a P in the bottom corner and things like that.

Mr Burgess: Yes. Perhaps I could take 20 seconds to explain about the version code. The version code is not a numeric or ascending sequence assigned; it's a purely random sequence. It's a two-digit, so the first one you get could be Q; it could be Z; it could be XX.

Mr Jim Wilson: Okay. Now, how does a physician, then, under that system—if I have a couple of cards—well, I might have 15 cards—

Mr Tilson: How many do you have?

Mr Jim Wilson: And I bring in card number 7 under this hypothetical case and the admitting nurse or whatever doesn't say, "Mr Wilson, is this card number 7, 6, or 13 or 14 or—how many of these do you actually have?" Here's the question. Every new card issued gets a new version code, and you deactivate the previous number, the previous card—you invalidate it, I assume, in the computer system, automatically. So obviously the question I'm driving at is, how does the physician know that I'm presenting the latest version, and that you won't, 30 days later when the billing goes in, reject that?

Mr Decter: Let me try this. The first card you get doesn't have a version code.

Mr Jim Wilson: No. It has the eight-digit OHIP number at the bottom.

Mr Decter: Yes. Well—

Mr Burgess: Only those cards issued in the initial registration of the population had the OHIP number. If you—

Mr Jim Wilson: That's the period I'm looking at, in particular.

Mr Decter: Yes, but in terms of the physician, if you have two cards and one doesn't have a version code and one does, the one with the version code is the newer card.

Mr Jim Wilson: But I might have one initial card and 13 version code cards.

Mr Decter: You would be one of 163 people. In terms of the overall numbers, we have issued a second card to 821,000 people, so a physician in those cases—

Mr Jim Wilson: That's a lot of second cards.

Mr Decter: No, but in those cases with the two numbers a physician would know instantly that the version code card was the newer one. We have issued three cards—

Mr Jim Wilson: But does he know it's the newest one?

Mr Decter: I'm trying to work at that. In the sense that only 91,000 people have been issued three cards, 14,000 four cards, 1,600 five cards and 163 six or more cards, we don't have an easy way, until we have the phone-in validation in place, to help physicians sort among people with more than two cards, but that's a relatively small portion: under 1% of total card holders. So in 99% of cases, a physician can readily tell. In the other cases, they would have the three years of remittance advice, I believe.

Okay, I'll let Eileen say that.

1610

Mrs Mahood: We also have, during business hours, the physician can call any of the 20 offices that are in the province and with proper identification, and either a callback from us or his physician number or something that validates that he is the provider of that service to that person, we will now tell him whether that's the valid card or not.

Mr Jim Wilson: When did that policy come into effect?

Mrs Mahood: We've always done that.

Mr Jim Wilson: You didn't back in October when the Toronto physician called me and said that MOH couldn't tell her whether that was a valid card or not. I raised that in the Legislature and I got an FOI response from the minister.

Mrs Mahood: If we can validate who the provider is and we're comfortable that that is the provider of that service to that patient, we will validate then whether that's a valid card or not. What we will not do is change any information. If it's an invalid card we will simply say that's an invalid number, and it's up to the person with that number to get to us and correct the information.

Mr Jim Wilson: Thank you. Mr Tilson.

Mr Tilson: Time left, Mr Chairman?

The Acting Chair (Mr Robert V. Callahan): Yes, you have about three minutes.

Mr Tilson: Three minutes. I'd like to go back to the new policy that you're implementing with respect to newborn infants and the prearranged-number issue. My understanding is that for an infant to receive a prearranged number, you look at the number of the parent. Is that correct?

Mr Decter: Either parent, I believe.

Mr Tilson: Either parent. The concern that I have with that is: How do you prove who the father is? I can think of potential scams with that policy. I can think of, for example, a man bringing his girlfriend or friend from another country who is expecting. He gives the number to that friend. He has no connection with her. Nobody else knows. All they know is, they fill out the form and they put down the man's number. That health card is given to that child and that lasts for ever. Worse yet, a potential scam could be where a man devises a scheme of bringing over American women who are pregnant. There is no possible check to confirm who that man is, whether he is the father of that child. I guess I express a concern as to using the number of either parent as opposed to the woman.

Mr Decter: I'm going to try and see if I can answer that without getting myself in some degree of difficulty—

Mr Tilson: I've never seen you do that, Mr Decter.

Mr Decter: —around the role of natural or other fathers in this whole process. My understanding is that we pre-allocate the numbers to the hospital. Parents, and this could be either parent, complete the registration form before discharge, but then they have to subsequently fill out the rest of the form. So that what we've done is not to change the overall process—we would still need a birth certificate for the child—but I think if you are asking, are we going to look behind both parents in a birthing situation, if the baby is validly registered as an Ontario birth, then I believe we will take that as evidence that they're eligible for health insurance.

Mr Tilson: My information is—

The Acting Chair: I'm sorry, Mr Tilson, your time is up. We have to move on.

Mr Tilson: Thank you, Mr Chairman.

The Acting Chair: Mr O'Connor. You have 15 minutes, by the way. Do you want to split it up five, five and five?

Mr Larry O'Connor (Durham-York): I may share some of this time, yes.

The Acting Chair: Oh, I see. You're in control, are you?

Mr O'Connor: I've got the floor.

Through this hearing process we're certainly going to hear a lot of interesting proposals. I was intrigued by Mr Callahan's proposal about the signature on the card, which seems to have some merit. I question how much the signature of my son Patrick, who's six years old, will change over the life of this card that we've got out there now. I imagine it would change quite a bit, so we could run into problems, but it's interesting to have these discussions anyway. It certainly does bring forward a number of ideas.

Looking at your presentation yesterday, the flimsies, on page 26 I noticed the paper card. Only Ontario seems to have this paper card. I just wondered if you can talk about this paper card. I believe you had mentioned that the paper card is going to be eliminated. With the elimination of this card my question is, what purpose did the card serve? Are we going to be cutting health care benefits to somebody who may have used that paper card in the past, who may need that paper card or something that's going to provide him with medical services? Because health care is something that all Ontarians, and in fact all Canadians, believe sacrosanct. It's an entitlement. It's a right. My concern is, are we going to eliminate service to people?

Mr Decter: I don't believe we are. First, just to be clear, half of the provinces have permanent paper cards; the other half have plastic cards. We're the only province that has had both as a transitional measure. That is, we've maintained a temporary paper card as part of the system. The reason for doing that was there were individuals who required immediate health services and the plastic card wasn't available, or when we had a very limited period of eligibility, someone who was only going to be in the province and eligible for three months or less, we didn't want to produce a plastic card. My understanding is that we're looking to eliminate the paper card over the next six months. I believe we will only do that when we're certain we won't be eliminating anyone's ability to obtain coverage. I will ask Eileen to say exactly how that's going to work.

Mrs Mahood: We have run a pilot in Toronto on this very issue, because that is the place where most people, in terms of total walk-ins or show-ups at the door, are. This pilot proved that, in most cases, people don't have an immediate need for a paper card. The situation, though, is that should someone be going to a physician immediately, we'll verify that he is eligible for coverage but has not yet received his plastic card. That will allow them to obtain the service whether they have their card or not, so we won't have to actually issue a paper card that could be used at another time.

The other thing is that the paper cards that were issued had an expiry date on them so that they became ineligible. We were trying to match that to the amount of time it took to get the plastic card produced. In the very initial issues, when the plastic card was going to multiple volumes of people, the time frame from submission to obtaining was long. Now that there aren't as many cards being produced, that has significantly been reduced, so that people are receiving their plastic card within two to three weeks of submission. Therefore, the need for paper has shortened significantly and we believe we will be able to eliminate

that as long as we have a verification for anyone who is getting immediate medical attention.

Mr O'Connor: Just following along with the cards and some of the discussions we have had, I have noted that after eight years Mr Callahan feels he's made a real impact. Perhaps the rest of this committee may feel we may make an impact in suggesting possible changes to the health care card system. In fact, technology changes all the time and I'm sure that what we see in the card today won't be what we see on the card in the future. Are there any plans for changing the present card system that we have, say, within the next 10 years? Do you have some sort of plan? Maybe you could just comment on that, some sort of renewal cycle for the present card system we have.

1620

Mr Decter: Again, I think in the time I had yesterday I went through it probably pretty quickly. We're looking at a number of issues to do with changing the card. One of those would be to add an expiry date. Another of those would be to put the birthdate and sex on the surface of the card. The additional one, which we want to evaluate, is Quebec's experience, which would be to go to a photo on the card. These things are all under review.

I think the most certain thing I can say is that I'd be very surprised if 10 years from now the card looked as it does now, but exactly which of the changes and when I think is an issue we have not yet made recommendations to our minister on. Our previous minister was quite keen to have advice on this. I expect our new minister or ministers will as well, but we're not quite there in the briefing yet. It is early days, but we are looking at all of these issues and I think of them, obviously if we go to an expiry date, that ups our cycle of how many we'd be producing, depending on the length of the cycle. Either Peter or Eileen should feel free to jump in and say more if there are things I've missed, but these are live issues with us and it's just hard to say when exactly we will come to a conclusion.

Mr O'Connor: That's fine, Mr Decter. Perhaps I can yield the floor to my colleague Derek Fletcher, who has a question.

Mr Derek Fletcher (Guelph): Just a couple of things: Over the years governments—and it doesn't matter who has been in government—have wrestled with duplication of cards, fraud and everything else that's going on. In fact, I've been looking at this thing in front of me, this paper article from the Star of 1990, and it says something like 27 million OHIP numbers being in service over the years of OHIP. This is not a new problem that's just being identified today. When it comes to the broad issue, exactly what is the percentage of the cost involved with fraud? Is it 1%?

Mr Decter: Let me try and then I'll ask Peter to jump in. I obviously don't have the skills that those of you who have to face the electorate have, but if one reads the three major newspaper one gets a different set of views. What I tried to say to the press yesterday and to this committee in response was that in the investigations we've done—and you now, I believe, have a list of all those individual investigations—the amount of suspicious card cases has been down around the 1% level. Those investigations have

tended to focus on areas where there was already some cause to look, so that isn't 1% of the total \$4 billion of physician payments or \$5 billion of OHIP payments, but where we did look it seemed to be down around the 1% level. I'd ask Peter to comment on that. I think we were comfortable that if you have to give a figure, that's the figure you could give.

Mr Burgess: Certainly many of our studies are down around the 1%. Picking up on your first comment about duplicates and referring back to Mr Wilson's questions about duplicates, we actually did a survey of the duplicates we spotted on our file. Of those duplicates, we looked very quickly to see which of the duplicates had actually been used. Of the number, in excess of 100,000, 6,772 have been used. We then did a quick survey of that 6,772, and to cut to the bottom line, some 79 appear to be used by different people. That study has taken us from very early in our analysis project life cycle, around about November, through until towards the end of February. We are now down to some 79 potentials which we're looking at and still working towards. That is, I believe, somewhere around just less than 1% of that number.

Mr Fletcher: The other part is that the auditor's report is not a report that is here to say that the ministry is running its shop all wrong and that everything that's going on is all blown out; it's to identify some of the problems with the administration of the system and then what you are doing to correct them. You are taking steps to correct what the auditor's report has shown. Is that not right?

Mr Decter: Yes, I think we've tried in our whole appearance here to be very clear that—

Interjections.

Mr Decter: I thought it was an excellent question. I was happy to answer.

Mr Fletcher: I heard what your answer was. It was a good answer.

As far as ultraviolet lights, fingerprinting and voice prints are concerned, we could have so many things to try to identify some of the problems. Someone would find a way around some of the best security systems in the world. Correct? We can look at the US defence department as far as the hackers who are getting into the system are concerned.

Mr Decter: I think I've indicated throughout that, first, we welcome the auditor's report. We've taken a great deal of action based on it in the time since we received it and we will continue down the road of implementing programs.

I guess the second is that of course no system is perfect. We think we've made some major improvements, but we have many more to make to the system. But at some point you have to balance our faith that the vast majority of people in this province are honest. That's the premise on which we operate. We do want to get at the small minority who are taking advantage.

Mr Fletcher: I have one more question. As far as the health card system is supposed to make a more efficient business out of this, analyse health trends across the province, did you start off with a perfect system?

Mr Decter: No. I think we've had steady improvement in the system—

Mr Fletcher: I agree.

Mr Decter: —over the period of medicare, but we have a great deal of distance still to go.

Mr Fletcher: And it's through all governments that we've had improvements?

Mr Decter: Yes.

The Chair: Thank you. Bob Frankford, very briefly.

Mr Robert Frankford (Scarborough East): I'm wondering about the word "fraud." I think it is used in a very loose and certainly not a legal sense. To me, fraud means getting away with money that one's not entitled to.

Mr Callahan: You don't have to get away with it; you can just try it.

Mr Frankford: Can I have the floor, please? To get medical services to which one might be entitled, but on the wrong card, is that fraud?

Mr Decter: No. If someone's an eligible person but has an ineligible card, has brought a card that is the wrong card, there's no fraud involved at all in that. It's no different than the kind of issue that would be there if you presented your Visa card after it expired. That isn't fraud; you simply need to have the new card.

Mr Frankford: It's like my borrowing Mr O'Connor's library card and taking a book out.

Mr Tilson: No, that's fraud.

Mr Callahan: It's fraud.

Mr Frankford: Is that fraud? I'm talking about entitlements.

Interjections.

The Chair: Let Dr Frankford place his own question, please.

Mr Frankford: With every eligible person, everyone in the province, because health care is a universal entitlement in this province, how can one start saying it's fraud to get it on the wrong card?

Mr Jim Wilson: What if you give your card to an American?

The Chair: Order.

Mr Decter: If I could be careful, the universality of entitlement is for those people who are residents of Ontario under the Health Insurance Act, legally entitled to be resident in Ontario. There are, and I think we described them yesterday, some groupings of people who would not be legally entitled to be here; for example, those with outstanding deportation orders who would be committing a fraud if they sought to obtain services or someone who's a foreign national who has no legal rights. Your basic point is right, that there are 10-million-plus people in this province with eligibility and that the vast majority of them also have a valid health card.

1630

Mr Frankford: And despite the discounting by the members opposite who think that hurdles to entitlement are a good thing and one way of saving costs, we have a

significant body of people who are fully entitled who are at increased risk who have not taken the steps to get it. We have street people, we have the Mennonite population, we have people with dementia, we have people with serious health problems, and if we go along with the bureaucratic scenario which is actively encouraged both by the people on the other side of here, we are asking for increased morbidity and mortality.

Mr Decter: Again, it's a balancing act. We are equally concerned with making sure that homeless people obtain health coverage, and we've taken major steps to ensure that they have access. We've taken two kinds of steps—

Mr Frankford: I'm more interested that they obtain health care than they obtain health coverage, and it seems to me that they should. I would say that in fact you are subject to legal challenge, because you talk all about these mechanisms which can hinder by not having the right version. I would suggest that this may not be in accordance with the Canada Health Act.

Mr Decter: No, I would say that we certainly believe—and I don't know if our legal people are here—that we are operating well within the Canada Health Act, and I'd go further.

We've invested considerable funding in alternative systems. We've spoken here about the health insurance system, which is a very important component, but it is, after all, less than a third of our total spending as a ministry. We have put significant dollars into things like community health centres that are targeted very much at the difficult-to-reach populations.

Mr Frankford: You must admit that they are very spotty in their distribution. It's very hard to find them.

Mr Decter: There are fewer than we would like, and we're increasing the number of them, but I think it's—

The Chair: We'll give you some time at the next round. We'll have you start the next round. The Provincial Auditor had a couple of questions before we start the final round of questions for today.

Mr Erik Peters: I didn't expect it this soon. I'm just about ready.

Just a quick one to put me almost personally out of my misery: One of the points you just made was that OHIP covered outside-the-country expenditures fully up to 1991. Maybe I misunderstood your comment, but I've been paying Blue Cross premiums ever since I went out of the country as long as I've been a resident of Ontario. Maybe, along with others, you might want to put me out of my misery that I haven't wasted my money.

Mr Decter: I believe that your Blue Cross coverage would have provided some things supplementary to our OHIP coverage even prior to October 1991. For example, we were paying, I believe, 75% of the cost of repatriation, flights, and I think Blue Cross would have picked up the other 25%, and you would see it reflected in your new premium. As of October 1991, the difference between your costs out-of-country and what we would pay changed dramatically. But I think it's fair to say that there have always been extras that you could insure out-of-country

that would not have been covered by OHIP. Eileen might be able to give a couple of examples. We want to make sure you got your money's worth.

Mrs Mahood: I'll just give you one clarification on this. First of all, in an emergency situation prior to the new one, we were covering 100% if it was an emergency when you were out-of-country, on invoice, but for non-emergency, we were only paying 75%. So if you presented yourself with something that was considered non-emergent, you needed to have some extra insurance. The other thing was, the rates were related to ward practices, so if you were charged semi-private rates and things like that, that was not covered.

So there always was a valid reason for having some additional insurance, but what it was, how much it actually kicked in, has changed since we changed the rates now.

Mr Peters: I don't want to waste the committee's time, but I broke three fingers playing tennis in Florida in 1984. The medical bill from the hospital was about \$1,100, of which OHIP covered only \$400 and Blue Cross was asked to pay \$640 at that particular point, so OHIP did not cover the 100%, and this was an emergency. I'm a little bit at sea here.

Mr Decter: We're very careful not to discuss individual cases.

Mr Peters: No, I think that's fair enough, but I just wanted a clarification of this statement that you paid 100%.

In any event, I'll get to far more mundane matters. One other question, and maybe in part of the response to our report, you related to the strategic plan. When I, as you appreciate, as a new reader looked at the chart that was presented on page 3 of our report, I noted that the two areas where you did not spend the budget, or spent less than the budget, was in communications to Ontario residents and on the registration kits. In all other areas, the actual costs were supplemented by supplemental budget, and I'm just wondering if, in the strategic plan that you have now, whether there is increased communication with Ontario residents in order to ensure that this point, which has been raised very often, that we have a right to health care, is protected by informing residents of Ontario further as to how they can protect this right by proper use of the health card.

Mr Decter: We have stepped up our communication efforts, and we have, I think, recently sent each physician office a poster that sets out some basic information around this. I think we've also done that in the case of the third-party services agreement reached with the Ontario Medical Association.

We haven't done enough to communicate, and I think it's fair to say that one of the dilemmas we have as managers of the Health ministry is that Canadians have come to expect not only a high quality of care but they've also come to believe that the system is completely comprehensive. In some cases it comes as a surprise to them to find that no, the Canada Health Act does not mean that all services are provided by the health system, that there are clearly medically necessary services, that there are other services that we pay for, but it's not a universally publicly financed system. It never has been, but I think the public has gained some very

high expectations, and at times we need to communicate more clearly to have them understand where our coverage begins or ends. We have some difficult cases in the drug program area of that sort.

It is the case that the Canada Health Act came in at a time when hospital and medical services were the vast bulk of the health care system. As we move to more community care, we have some difficult challenges in explaining to people exactly what is covered and what is not covered. But we are stepping up our communication efforts and making available fact sheets to providers and consumers.

Mr Peters: May I have a third, quick question? In part of our report we referred to the benefit of the system, to this projection that was made originally of \$1.5 billion over 10 years, and one of the reasons for the benefit that was stated was that it would allow to analyse better the use of health care services. You may just want to clarify a little bit further: There was a question raised, I believe, as to what information you could provide in terms of somebody phoning in and finding out what services were charged against a particular card in this regard, and you said that yes, you could provide the information as to the visits made and what services were rendered, but you could not provide the actual nature of the health services provided because that would be in the physician's records.

Mr Decter: Yes.

Mr Peters: Are there any plans to capitalize on that particular benefit you envisaged?

Mr Decter: Yes. Our major effort was the creation of the Institute for Clinical Evaluative Sciences, a joint creation between the Ontario Medical Association and the government under the joint management committee. We've invested some \$4 million a year.

The institute's a year old. It's located at Sunnybrook Hospital, on their campus. It's headed by Dr David Naylor, who, I think I would not be contradicted in saying, is one of Canada's leading clinical epidemiologists. It has a scientific advisory panel drawn from nine of the leading people on the planet in this field. We have a data agreement with them, and the unique health identifier will allow Dr Naylor and his staff to dig in on the utilization issues.

Our main issue here is not that very many of the procedures—there are some 5,000 fees for different procedures that we pay for—in our view aren't medically necessary; maybe none. Our problem is that often they're done inappropriately or too frequently. The most celebrated case, I guess, is the Caesarean section one, where our rates of Caesarean sections are higher than the experts think they need to be. What we haven't had an ability to do until we got to this data system and until we had some experts in place is really two things: Is it a problem that a few physicians are doing far too many or is it a problem that all physicians or all physicians involved in that procedure are doing a few too many, and then how do you change the behaviour?

1640

What we've learned is, physicians don't react very well to ministry advice or directives. They want to hear from other physicians about the nature of evolving knowledge in the field. Our effort with ICES, which is the name of the institute, is to have the leading physicians in a particular area convince their colleagues that there's newer and better knowledge available.

I think we'll succeed. The stakes are rather large. The health research community—and I would include people like the Rand corporation, Dr Robert Brooke and others—estimates—and this is not a Canadian estimate; it's a North American estimate—that as much as 30% of what's done and paid for is inappropriate or unnecessary. Now, whenever my minister says that or I say that, we immediately incur the wrath of the physicians. This is not an assault on physicians; this is simply our best knowledge of what percentage of things, viewed after the fact, might not have been effective.

Physicians quite rightly say: "It's very fine for you to tell me I shouldn't have done that procedure. You weren't there at the time. You weren't facing the issue with the patient." That's true as well, but what we're hoping to do over a comparatively short period of time is bring to bear better guidelines.

I'll give you a very small example. A group of very determined emergency room doctors in Ottawa looked at ankle X-rays. It seems like a small issue. Almost every patient that presents at a hospital with a sore ankle gets X-rayed. These doctors worked up a protocol to say, "You can ask a few questions, you can do a few examinations and you can decide whether an ankle X-ray is really indicated or not." Dr Naylor is now trying that protocol in a dozen hospitals and we think we will reduce substantially the number of ankle X-rays and improve the quality of care.

So it isn't one big initiative, but what the unique identifier and the information attached to it will let us do is, over a period of time with the help of Dr Naylor and the physicians, improve the quality of care by reducing the number of inappropriate services that are rendered. These are not services that are rendered by anyone in a fraudulent way or in anything but the best standards of practice. What's happening is we're facing a revolution in knowledge in medicine. We need to find ways of translating the new knowledge to 20,000 physicians in practice in a way that's acceptable to them, in a way that isn't the Ministry of Health making the suggestions but leaders in the medical community.

I would pay tribute here to Dr Adam Linton, who was a tremendous loss to this province, who pushed for this institute as president of the OMA. So the gains over 10 years and whether they're going to be in the order of magnitude that was suggested earlier I can't tell you at this point, but we believe they will be substantial, that we will get better-quality care and we will get it at a better cost to the total system. But that's where the data are going to come in. Without unique identifiers, that work is made, if not much more difficult, nearly impossible.

The Chair: Mr Callahan, five minutes.

Mr Callahan: Just as an opener, I asked one of you yesterday whether the patch—you all know what the patch is—was covered by OHIP, and I was told it was not. I say that for the benefit of one of my colleagues here in the room who thought it was. The question I leave hanging out there—and it's not for you to answer; it's for the minister to answer—is that if we have all the data we have on the factor that smoking is injurious, not just to the health of the person who smokes, but also to people around him, why in the world are we denying access to the cost of the patch to those people of Ontario who probably need it most, the people who perhaps are too poor to pay for it themselves, and even those people who can afford to pay for it? I think if we're going to encourage the cessation of smoking, we should be looking into that. In any event, you can't answer that, so I won't pursue it.

Mr Decter: I think it's an Ontario drug benefit plan issue rather than an OHIP issue. I think if there were coverage, we would view it, because it contains a drug, more as a drug than a procedure. I can't honestly answer whether we cover the patch under ODB for eligible people. I can get you that answer.

Mr Callahan: If it is covered, I guess you have to wait till you're 65 before you get it free.

I had a constituent call me up, I guess as a result of watching the television the other day. He's from North York. He indicated that on occasions when he has been asked for identification, the person specifically asked to see his health card, which I thought was rather bizarre. This happened on about four or five occasions. The same individuals were asking to see his health card and not his driver's licence or whatever else he had. That makes me interested in the question that was asked by one of the members of the government. I gather he could ask to receive from the ministry, on his own behalf, a list of the procedures that had taken place over perhaps the last year to determine whether these people had in fact wanted to see his OHIP card simply to use his number in a fraudulent way.

Mr Decter: If these persons were not health care providers, they don't have a right under the act.

Mr Callahan: They weren't. One of them was the post office, he tells me.

Mr Decter: To control the private use of cards issued and numbers assigned to insured persons under the Health Insurance Act, I believe it's illegal in this province to ask someone to produce his health card for any other purpose than the receipt of health benefits. That act, which was given royal assent in April 1991, was very much to prevent what happened with social insurance numbers; that is, their movement from a specific purpose to a general purpose. I believe that person is in fact being asked an illegal question.

Mr Callahan: I hope he's watching. It'll save me answering by mail, but I'll do it anyway.

Finally, we hear every day about partnerships, being linked with business to accomplish things the government wants to accomplish. Here's a perfect opportunity, in my view. Some of the credit card companies out there are suffering; you can now leave home without American

Express because it's having troubles. If the Ministry of Health were to enter into a joint arrangement with them, or some credit card company, I'm sure that you could develop significant technology to assist them in putting a picture on their cards, because I think it would help them. At the same time, through cooperative measures, you could share the cost, you could share whatever technique you come up with and save the taxpayers of this province the cost of our having to come up with our own system at a very high cost, I think you told us. The Royal Bank people, when I asked if you'd talked to them, the cost was 15%—

Interjections.

The Chair: I'm having a hard time hearing Mr Callahan. I'll add a couple of minutes to your time, Mr Callahan.

Mr Callahan: Thank you very much. Each time they speak, would you add a few minutes to my time?

The Chair: It's the only way to keep order, I'm sure.

Mr Callahan: I think there's an avenue there for consideration. We are talking about the same type of card, in a sense. The commercial card provides goods, services and money. The health card provides services. If it's not adequately done or not properly done, then we're losing services, we're losing money, we have people who are doctors who are losing fees. Perhaps, if we continue with the question of de-activated health card numbers, I would certainly encourage—and I'm going to ask my colleagues in their report to suggest that—that here's a great opportunity to join in partnership with the business community to come up with a card that may be something where the expertise might even be exportable. But if we go it alone and they go it alone, nobody's going to come up with a card that can't be used in a fraudulent way. If we go it alone, the taxpayers of this province are going to pay for the whole shot. We don't need that.

1650

Mr Decter: We have had discussions and are quite interested in continuing discussions with other people in the card business. There are some tough issues, which I guess goes back to your first question in terms of the extent to which the Legislature would contemplate multiple benefits or multiple use of the same card or number for different programs. Again, there's a balancing act between the efficiency goal which would say, "Put a lot of things against the same number," and the privacy goal which says, "We don't want anything to do with people's health information getting commingled with financial information". But we are continuing to have an open discussion with the private sector. We're both wrestling with the tradeoff between cost and service.

We are very interested in the export sector. I should say that under our health and economic development initiative we have been working with a number of Ontario companies to get them to export our expertise. Dr Mac-Millan, who heads our health insurance division, will be shortly visiting Poland, where an Ontario company has a very large World Bank contract to help them set up a health system. Although this committee has got some very hard questions for us about how we're doing, we

have a steady stream of visitors from all over the world who come to see how we do it in Ontario, because they believe we do it as well or better than anyone else on the planet.

I can tell you that one of my most popular outings is to be on US radio or television talking about the Canadian health system, because all you get are very positive callers calling in saying how much they would like a system like ours. Ours isn't perfect, but we've got a lot of countries coming to see us to learn how we do it, and there's some significant benefit to us in keeping an eye on export markets.

Mr Tilson: I have two questions and Mr Wilson has one. As a question to you, Mr Burgess, I understand that your analysis unit ends the end of March.

Mr Burgess: It was a temporary unit which was set up by secondment from other parts of the organization. I have been led to believe that it's been successful enough that arrangements will be made to keep, if not the same individuals, a group of similar individuals together for the foreseeable future.

Mr Tilson: But you don't have a budget. How are you going to do that? There's no money.

Mr Decter: If I might answer that question. We are before treasury board in the coming weeks with our estimates. Until they're approved, we don't have any money for any program in the ministry. Until treasury board renders its decisions, I don't have an ability to tell you what will or won't continue. I will partly support Mr Burgess's comment. This unit, this investment we've made has, in our view, been one that we feel has yielded significant results, but it is the case that until treasury board makes its decision and our estimates are presented to the House I can't tell you that we have any money for anything.

Mr Tilson: Mr Decter, you know perfectly well that there's a great deal of work that needs to be done, and the fact of the matter is that the analyst units are coming to the end of March and Mr Burgess is going to be left alone. I have a feeling he'll have a great deal of difficulty.

I have a question for Mr Hazell—and then Mr Wilson has a comment—and that has to do with the computer systems. How many computer systems have you gone through since 1990?

Mr Hazell: How many computer systems have we gone through?

Mr Tilson: Yes, I gather there's been a series of computer systems in developing the health card. Have there been different computer systems?

Mr Hazell: No, as far as I know there's been only one computer system.

Mr Tilson: Has there?

Mr Hazell: Yes.

Mr Callahan: You people got it for us, I think.

Mr Tilson: Has that been reviewed, Mr Hazell?

Mr Hazell: Has the system been reviewed?

Mr Tilson: Has the computer system been reviewed?

Mr Decter: We've recently had an internal audit. In addition to the good offices of the Provincial Auditor, we have an internal audit group. They have recently done a full review of the information systems division and given a report to Mr Hazell setting out their recommendations. In addition to this process, we have a continuing internal process of reviewing with auditors our internal operations. That review was completed when?

Mr Hazell: About six months ago.

Mr Tilson: How much time, Mr Chairman?

The Chair: Sure, I think you have time for another question.

Mr Tilson: Then Mr Wilson will ask the final question.

Mr Jim Wilson: Just going back to Dr Frankford's concerns about accessibility to our health care system, I thought it would be interesting if I read to the committee a very short excerpt from the Globe and Mail of February 17. It's a story by Richard Mackie, "Ontarians Warned to Brace for Further Cuts in Services."

It says: "Ontario residents can expect further cuts in some government services as the province tries to prevent a debt crisis that could eliminate even more programs, Finance minister Floyd Laughren says."

Here's a quote from Floyd: "'I think, in the end, we are going to have to do even more dramatic things than we have done. I don't doubt that,' Mr Laughren said in an interview yesterday.

"'I sure hope we can do it in a way that Ontario will still have a medicare system....'"

That's fairly astounding stuff from an NDP Finance minister. I just read that to emphasize how important these hearings are and that any leakage or fraud in our health care system should be avoided, should be rooted out, and that there should be zero tolerance for fraud anywhere in our system and that our duty as members is to protect the taxpayers and the residents of this province.

Interjections.

The Chair: Do I have to add some time to Mr Wilson's allotted time? Is that what I have to do?

Mr Jim Wilson: If anyone's out there from another jurisdiction using an Ontario resident's health card, I hope the message he gets from these hearings is that as members we're very serious. I think our presenters have done a good job of trying to explain the efforts they're making to crack down on this sort of thing. With that I leave those comments with you, members.

Mr Decter: I wonder if I might have a moment, first, to thank the committee. I think that you've asked us some very hard but very important questions. Second, I would like to thank the Provincial Auditor for continuing assistance to us. Third, and I don't get a chance to do this often, so I'm going to take the advantage very briefly, the people who work in the Health ministry suffer many slings and arrows from the public, providers and others. They are—and I've had the privilege of being their deputy minister now for a little over a year and a half—a very hard working group of people. I think the public often doesn't see their hard work, but we have in the ministry not only

very capable people, but people who are very determined that medicare will not only continue to exist but will be well managed. We will make progress. I want to say that and also to say that we are delighted to be invited by the committee to attend and will look forward to meeting with you at your convenience on this or any other issue.

Mr Callahan: That's a good way to close, Mr Chairman. Let's not ruin it now.

The Chair: I promised Dr Frankford.

1700

Mr Frankford: I'll make a brief comment, and Mr O'Connor also has a comment. I would like to emphasize the importance of a unique identifier. I fully agree that it is essential for a system in the information age. I actually had some experience in this before because I used to write prescriptions on my computer, and in the family number system I made people unique by adding a decimal. It's essential, I think, that there are other approaches which could have been taken, but that's water under the bridge.

I think there is the problem of the non-registered population, which I think should not be minimized at all. I would like to keep on having discussions about that. I think the card issue is somewhat misleading, because I think to some extent it can be argued that we've been sidetracked by technology. It's rather attractive and everyone is used to having cards in their wallet, but I think we are talking unique identifiers.

I think we're being carried along by the assumption that we have a fee-for-service model. At the very least, we have a mixed model now. If you're looking for reporting, the non-fee-for-service system, which is now in many forms—salaries, capitation, alternative funding, whatever—makes it quite complex. I think your aim for a reporting system for planning is probably not as straightforward as it comes across. I'll leave that and pass it to Mr O'Connor.

Mr O'Connor: As parliamentary assistant to the Minister of Health, I've only been there since the fall. Any occasion I've had to work with the fine staff from the Ministry of Health, I haven't had any problems. I hope that that will continue. This committee hearing process has certainly pointed to some areas that members are concerned about. You've certainly highlighted some of the ways you're trying to alleviate some of those concerns, with the telephone system, the swipe readers.

I found the discussion that you had between you and the Provincial Auditor very enlightening because it pointed to the important need of collecting data. I think something I'd like to emphasize to the committee for you to take under consideration is the aspect of the moving. I think the ad that you've shown us in your handout is definitely very good. I think getting information out there is important.

I'd suggest that a lot of people in the province of Ontario, when they've got a problem with things, go to their MPP's office. I'd suggest that you send something out to all the MPPs, to members of this Legislature, so they can have that in their office. As members, we're very concerned about the health care system, and I'm sure we'd

get unanimous support that we'd like to see that happen. That's perhaps an easy way that we can help out too.

on behalf of this committee, I want to thank you for coming and bringing forward all the information you have available and making yourselves as available as you have. Thank you very much.

Mr Pat Hayes (Essex-Kent): We're very honoured to have you on our committee, Larry.

Mr Noel Duignan (Halton North): Briefly, on behalf of the government side we thank you for coming along here today and say thank you to the staff of the Ministry of Health, who I believe operate one of the most efficient and best health care systems in the world.

The Chair: Mr Decter, thank you and all of your seniors.

Mr Tilson: I have a point of order: Before the delegation leaves, the government side of the committee asked for an adjournment of this committee so that members could attend the funeral of Mrs Farnan.

The Chair: That's correct.

Mr Tilson: That was by unanimous consent. As a result of that, however, we lost three very important hours; I think it would be three.

The Chair: Yes, that's correct.

Mr Tilson: We lost three very important hours on this topic. I have a number of areas that I'd like to cover from the Provincial Auditor's report. I'm looking to you as to how you intend to make up those three hours.

The Chair: Can you give me 24 hours to think about it?

Mr Tilson: I'll give you 24 hours, Mr Chairman. If I could just finish, the reason why I raise that now in the presence of the delegation is because obviously we would have to have the delegation return.

Mr O'Connor: On that point, if I could, Mr Chair.

The Chair: On the same point of order?

Mr O'Connor: On the very same point: I thank Mr Tilson for raising this because I'm sure any questions or information that any committee members might have on this very important issue should be answered. I think maybe the best way we can do it is we'll put a lot of thought into it and perhaps we can submit any questions we have through the clerk to the ministry and ask it to respond in writing, because we sure wouldn't want to miss any important information.

The Chair: Give me 24 hours. On the same point of order, Mr Duignan.

Mr Duignan: Maybe between the Chair and the other members of the subcommittee we can just have a brief discussion of this.

The Chair: Let's see if there are any options.

Mr Perruzza: On the same point: Just to expand on this a little bit, while I'd like to be able to sit and follow up on the three hours that were essentially missed, I would remind everybody that every time we sit here as a committee and every time we drag senior civil servants to appear before the committee, they lose valuable time within the

ministry themselves. It costs an awful lot of money to do that. While I know that's an important thing to happen, and while I also know we can submit questions in written form through the Chair to the ministry and get any information we want—

Interjections.

The Chair: Will you let Mr Perruzza finish?

Mr Perruzza: I agree with the point. I think we should be able to sit and deal with these things, but it's also important to note, and I think it should be noted for

the record, that every time this happens it costs an awful lot of money to have it happen, to drag civil servants away from their work and for the preparatory time that it takes for them to get ready for these committees. That should be noted as well.

Mr Fletcher: I'd say we wait 24 hours.

The Chair: I appreciate that. Mr Decter, thanks to you and all your senior staff for joining us. The committee stands adjourned until tomorrow morning at 10 am.

The committee adjourned at 1708.

CONTENTS

Wednesday 24 February 1993

Annual report, Provincial Auditor, 1992	P-43
Ministry of Health	P-43
Michael B. Decter, deputy minister	
Peter Burgess, director, registration program branch	
Gilbert Sharpe, director, legal services	
Fred Hazell, executive director, information systems division	
Eileen Mahood, director, claims payment operations	

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- ***Chair / Président:** Mancini, Remo (Essex South/-Sud L)
- ***Acting Chairs / Présidents suppléants:** Duignan, Noel (Halton North/-Nord ND); Callahan, Robert V. (Brampton South/-Sud L)
- ***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
 - Cousens, W. Donald (Markham PC)
- *Frankford, Robert (Scarborough East/-Est ND)
 - Haeck, Christel (St Catharines-Brock ND)
- *Hayes, Pat (Essex-Kent ND)
 - Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
- *O'Connor, Larry (Durham-York ND)
 - Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

*In attendance / présents

Substitutions present / Membres remplaçants présents:

Fletcher, Derek (Guelph ND) for Mr Johnson
Perruzza, Anthony (Downsview ND) for Ms Haeck
Wilson, Jim (Simcoe West/-Ouest PC) for Mr Cousens

Also taking part / Autres participants et participantes:

O'Connor, Larry, parliamentary assistant to the Minister of Health
Peters, Erik, Provincial Auditor

Clerk / Greffière par intérim: Deller, Deborah

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



P-26

P-26

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Second Intersession, 35th Parliament

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Official Report of Debates (Hansard)

Thursday 25 February 1993

Journal des débats (Hansard)

Jeudi 25 février 1993

Standing committee on public accounts

Review of
central collection service

Comité permanent des comptes publics

Vérification du service de
recouvrement central

Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 25 February 1993

The committee met at 1015 in room 151.

REVIEW OF CENTRAL COLLECTION SERVICE

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. The information we had been waiting for has now arrived. There are enough copies at least to share and there are more copies of the information prepared by our research officer on the way.

This morning, the committee is reviewing with the Ministry of Government Services its collection branch activities. Members will recall that during the review of the Ministry of Community and Social Services that the committee had undertaken in view of the auditor's work, Mr Callahan had expressed some concern about collections in general within the government. It was decided after Mr Callahan made the motion that the committee invite the Ministry of Government Services officials in to meet with us today to find out more about how you handle the collections, what it costs and everything associated with it. I hope that brief explanation kind of refreshes everyone's memory as to why we're here this morning.

MANAGEMENT BOARD SECRETARIAT

The Chair: I understand that Mr David McGeown, the assistant deputy minister, supply and services division, Management Board Secretariat, is here with us today and is leading the delegation. Mr McGeown, if you would be so kind as to introduce the other officials you have with you and then I'll turn the floor over to you for the presentation that I understand you're going to be making to the committee. My only question would be as to the length of your presentation, so I can better judge what the committee members might want to do.

Mr David McGeown: The presentation part would be about 30 minutes.

The Chair: Thank you. You have with you?

Mr McGeown: Let me introduce Mr Cecil Henley, the manager of the central collection service; Jill Morales, the assistant manager of the central collection services unit; and handling the slides this morning and the high-technology projector, Mr Gary Browne, who is the director of the general services branch.

Let me start by saying that in the Ontario government, of course, there are many sources of revenue. The primary sources are taxes and most of the businesses that the government carries on: what it is licensing and so on. Most of these businesses are cash-and-carry businesses, so in fact the collections that we're talking about today are often out of the mainstream of the government businesses. Taxes, for example, are handled quite separately through the Ministry of Revenue. They have a unit about five times the size of the unit we're looking at this morning, and they have

very specific enabling legislation around how they collect taxes and what they can do in order to obtain money from businesses and so on.

What we're talking about this morning are the kinds of collection activities that result from an individual either getting a loan from the government or getting some other kind of a financial amount that has to be paid back, and we're talking about those cases where they are having trouble paying back. So the unit actually has a number of interesting challenges. It has to, of course, collect revenue that's owed to the government; it has to be sensitive to the fact that many of the people it's collecting revenues from are in difficult circumstances; and it has to be very much aware of the fact that it has to treat those debtors with a lot of respect for their circumstances and be very much aware of the difficulties that they find themselves in.

Just to set the scene, perhaps I can just show you where the central collection services resides, and I'll apologize for the confusion around Management Board Secretariat and the Ministry of Government Services. I think three weeks ago it would have been the Ministry of Government Services; today, it is the Management Board Secretariat.

If you'll just look at the slide, you will see that we report to the Chairman of the Management Board of Cabinet. The deputy minister is Val Gibbons, and she sends her regrets for not being able to be here this morning. She had a previous engagement.

Essentially, there are eight divisions in the ministry, of which supply and services is one, the second-largest. Within supply and services there are a number of branches, seven branches. One of those is the general services branch, and one of the units within that branch is the central collection service. So that just sort of puts it in broad context for you.

1020

The ministry has a vision statement that talks about service excellence through leadership and results, and we firmly believe that statement and try to carry that out. The central collection services has an important contribution to make in terms of that. We believe that we have to be an exemplary example of how collection agencies should behave and should work. It's a mandatory common service, which means essentially that ministries must use the service and the service is paid for out of a central fund. It really focuses, as we say here, on non-tax overdue accounts receivable.

Ministries don't pay for the service. In other words, they must use the CSS, but the moneys collected go directly to the consolidated revenue fund. It's not a new service. It has operated within the government for at least 20 years. Initially, it was located with treasury and recently it sort of received a renewed emphasis in terms of the fact that there are a growing number of debts that are uncollected out there.

Every time the unit deals with a ministry, it actually puts together a memorandum of understanding that governs the actual service that we provide. That memorandum of understanding would talk about the kind of collection that had to be undertaken and the way that the ministry would like us to behave during that collection, including things like the write-off provisions. This allows the ministry to sort of retain control.

We in fact utilize the internal collection expertise of this unit, but we add to that by putting certain contracts through a public tender to private collection agencies. I'll tell you more about that in a few minutes and I'll sort of split it down for you. The major plus to the private collection agencies is the fact that this allows us a lot of flexibility in terms of overload. We don't know when ministries are going to send us a whole group of additional accounts, so we use the private sector to handle some of that.

We of course provide service to all ministries and schedule 1 agencies. They're the primary groups. An example might be the LCBO. We have a legal support unit. They are paralegals who actually go to court and handle Small Claims Courts and similar issues.

Now I'd like to give you a very brief snapshot of the business volumes within the group so that you've got an idea of the kind of activity that goes on. This is as of January 31, 1993.

We service at this point 102 government programs. As I say, each one of them has a memorandum of understanding that governs how that works. An example of a program might be student loans. We currently have 84,000 accounts. That's our accumulated inventory. A large number of those accounts are accounts that in fact have reached the point where we would be considering moving them on as being uncollectable, but there's a core of them that are highly active, and I'll show you how that splits down.

Mr Robert V. Callahan (Brampton South): Excuse me, Mr Chairman.

The Chair: Yes, Mr Callahan?

Mr Callahan: Do we have a hard copy of this?

Mr McGeown: Yes, we will provide hard copies.

Mr Callahan: I wonder if it could be provided now. It would make it a lot easier for members to follow if we had it now.

Mr McGeown: Certainly. Can I just keep talking while we pass it out, Mr Chair?

The Chair: Please go ahead, yes.

Mr McGeown: Thank you.

The value of the actual inventory is \$140 million and, as I said, that includes issues that are currently before the courts. It includes items awaiting write-off. It includes issues where we're searching for a debtor and haven't been able to find him.

The gross revenue for 1992-93 is \$14.3 million. If I can go to the last slide, you'll see that the actual number of new accounts received in 1992-93 was \$44 million, so the new accounts are the accounts that we obviously try to focus on the most, because they are the most recent and the audit trail is a little clearer.

We handle all this with a staff of 40. Each collection officer in the branch has about—it has ranged over the years between 1,000 and 2,000 accounts during a year. We do compare our staff to people in the private sector and in the private sector organizations we use, and our collections per person compare very favourably. In fact, we collect more than the equivalent person in the private sector organization.

Just to give you an idea about the kinds of accounts that we're dealing with, it's quite interesting: If you look at it by dollar value, the largest dollar value is new venture loans, 45%. Those tend to be high-risk loans for new businesses, and of course one of the difficulties with new venture loans is that people often have to put and normally do put their own actual assets up when they get these kinds of loans to begin with. They've had to put additional money of their own together with the loan to open the business. So when the business goes into difficulty, they often lose everything. So it's not unusual when one goes to collect these loans to find that the people who got those loans are in very difficult circumstances.

Student loans and grants are the next large group. They are loans provided by the bank and guaranteed by the province. Six months after graduation, students are required to pay those loans off, and the loans can be as high as \$30,000. The issue of course is that today it's often difficult for students, after they have left school, to have a job in that six-month period, so we have to be sensitive to that part of the collection process.

Other ones that are there—I think you're familiar with the Community and Social Services overpayments issue. But you'll see that they represent a relatively small percentage of what we deal with: 2%, in fact. Then the 98 other programs sort of fit into the 11% that remains.

If you look at it by number of accounts, actually the newest and largest number of accounts come from the Attorney General, and this is part of the fines control program that I think you've all heard about.

Mr Callahan: Yes, we know about that.

The Chair: Order. Please continue.

Mr McGeown: Thank you. Again, you see that in terms of number of loans, students are next in line, followed by new venture loans.

There's a collection cycle that goes on, and I think it's very important to understand this cycle because there are responsibilities for our ministry and there are responsibilities for the client ministry. So I've tried to put together this chart that shows you that initially, the client ministry creates a receivable of some form and conducts an initial collection effort. Then, if that effort is unsuccessful within the first 90 days, it is available to them to send the account to the central collection services. So there's a 90-day period where the ministries themselves focus on the issue.

We don't always get them at the end of the 90 days. Sometimes it's considerably longer than that, and that's a difficulty. Based on the memorandum of understanding, central collection actually then traces and contacts the debtor—and sometimes that can take a year if it's a particularly difficult case—negotiates and counsels on the debt.

I think this is a very important point. We find that not only have we got to be out there trying to collect this money, but we have to help advise people on how they might restructure their finances so they can deal with these issues. So our collection officers actually spend a fair amount of time doing counselling.

We can also initiate legal action, if necessary, and we can refer accounts to the private collection agencies. I've used the term "PCA" there, and that's what it means, private collection agencies. We refer certain accounts to them, accounts that we've trained them on how to collect. We just don't throw anything over the wall to them.

1030

At the end of all this, we either have accepted a payment, in which case we close the account, or if we have been unable to find a payment, we look at recommending a write-off. We recommend a write-off, we send that back to the ministry and the ministry writes off the debt if it so chooses.

We have a very strong policy, and you see it in your handout. This policy is hung on the walls and is available to every member of staff. It governs our collection process. That's because we have to be very sensitive to our role as a collector within the government family. The policy emphasizes the degree of professionalism and integrity that we expect each collector to exhibit in his day-to-day job. It emphasizes the courteousness, the fairness and the consistency with which we have to treat those debtors. It's very much focused on the fact that they have to conduct their business in a way that would be above reproach as representatives of the province.

How do we know how well we're doing in this area? Well, for one thing, people very quickly will get on the phone to the manager or to myself and tell us if they think we're stepping out of line, and of course they write lots of letters should they run into a problem. It's not always a totally mutual admiration society when you've this kind of thing going. Someone's trying to collect money and someone has got himself in circumstances where he can't always provide it. So the basic notion is that we keep track of these kinds of complaints and follow every one up rigorously. At the moment, we're actually running at very few complaints, I might add.

We also monitor our accounts receivable on a daily basis and on a weekly basis, so we know exactly what each member of staff is collecting and how well they're doing in terms of their targets. I won't go through reading the collection policy. I think I've covered the issue.

What I would like to do is go to a slide that talks about revenue versus expenditures. I knew that one of the concerns you had. Can you focus that a little better, Gary, and maybe move it down so people can see it? You're actually better to look at your hard copy at this point.

We've tracked the central collection service's revenue, as per your request, over six years. You can see that it is on the upswing at the moment. We've also put into that slide, in the dark portion, the percentage of revenue collected that we actually have to use to pay for the staff to do the job. So it's self-funding in that sense. At the present time,

the ratio is 5.5 to 1. That means we collect \$5 for every \$1 we spend in that area.

By way of contrast, the public collection agencies we use—we use three of them under our new contract. We contract for these through an open tender. People bid, and we examine their skills at handling the kind of accounts we have, their capacity to train people and so on and so forth. They get paid a percentage of what they collect.

What you see reflected in the bottom part of this chart is that their collections range in the 2.7-to-1 ratio. At first blush, that would say we are collecting twice as much with our own staff as we are with the outside staff, and some of that is a valid conclusion. But you have to realize that often they get passed on some of our more difficult accounts. They don't get our more sensitive accounts, because we really don't want them handling certain sensitive accounts. In fact, the memorandum of understanding with, for example, Community and Social Services does not allow us to pass those kinds of accounts on to the private agencies.

That gives you some idea of how the two collections compare. That's the external versus the internal.

If you took those and just added them together, you would be able to see the total costs, represented by the dark portion, which include all salaries, expenses, training and the cost of private collection agencies, and the lighter-shaded section is the actual revenues that we've got in. So it's gross expense and gross revenue, and that tells you the kind of return we're getting on that investment.

Mr Jim Wilson (Simcoe West): Can you give us the figures on the 1992-93 peak?

Mr McGeown: Yes. Have you got that exact number there? I can read it off. It's \$14.92 million. And what's the expense?

Mr Jim Wilson: It's quite a range between zero and \$5 million. About \$2 million or \$3 million.

Mr McGeown: It's about \$2 million, but I'll get the exact number for you in a moment. The expense internally is a little over \$1 million, and then the public accounts is—Gary, do you have that number?

Mr Gary Browne: I don't have it exactly, but basically our internal expenditures are somewhat over \$2 million. Our expected commissions to the PCAs will probably be in the order of about \$700,000 to \$800,000. But again, this is projected to the end of March, so these are projected figures for 1992-93 rather than actual.

Mr McGeown: The exact number, I'm informed, is \$2.98 million, projected to the end of the year. Any other questions on that, revenue versus expense?

The next slide you might find helpful in terms of understanding what's actually going on on a year-by-year basis. This shows us the value of new accounts received from the ministries and the actual amounts collected. I should point out that the collection ratio we showed you on the previous chart is in the ratio of about 5 to 1, 6 to 1, and that in fact is actually quite high for that kind of business. We did go out and talk to organizations in the private sector and they are collecting in the range of 3% to 12%, so this is at the high end of that. The collections that are actually being taken in are quite in keeping with what one would expect in that

industry, in that business. In fact, some of the banks we talked to had much lower numbers.

On this one, you can see that each year we receive a certain amount of new accounts from ministries, and this is what we've collected. For example, this year we will receive \$44.7 million and we will collect \$14.2 million. That's about 32%. But that does not take into account the fact that we've got an inventory over and above that. It's just a reading of how we're doing on a year-to-year basis.

Mr Callahan: What did you figure that was? What percentage?

Mr McGeown: Thirty-two per cent; \$14.2 million versus \$44.7 million. In fact, the total at the bottom of the page is that over those years we received \$186 million worth of new accounts and we've collected \$60 million in actual money.

Mr Callahan: About a third.

Mr McGeown: Yes.

Mr David Tilson (Dufferin-Peel): Mr Chairman, just so we're clear, I wasn't present at the committee when this took place, but in reading the material, this figure doesn't match the figure that was discussed previously, where we were talking 10%.

The Chair: That's correct. I'm aware of that.

Mr Tilson: I assume the Provincial Auditor some time during these proceedings will make some comments as to whether we're looking at 10% or whether we're looking at 32%.

The Chair: I think he's made a note of that already.

1040

Mr Tilson: It's just that if the Provincial Auditor has some comments on this that aren't the same as what is being presented to us now, it seems to me this would be the appropriate time to talk about that, before he moves on to something else.

The Chair: Do you want to do it now, before we move on?

Mr Jim Wilson: Unless the presentation was heading towards answering the question.

Mr Noel Duignan (Halton North): Why don't we finish the presentation?

Mr McGeown: I think I could clarify that for everyone. The number we're looking at here does not include the inventory. There's an inventory that any collection agency carries, and if you'll recall my earlier slides, there was an inventory of \$140 million.

Mr Tilson: I don't know what that means.

Mr McGeown: It means basically that there are accounts that have come in—

Interjection: That haven't been collected.

Mr Tilson: That's what we're talking about, isn't it?

The Chair: We can't continue in this way.

Mr Tilson: Mr Chairman, I apologize.

The Chair: If we're going to have questions, we're going to start up a list. Mr Tilson, you're first on the list, and the gentleman will give us the information. Then you

can start a series of questions. We'll keep track and all the members will participate.

Mr McGeown: Would you like me to hold that answer then or continue?

The Chair: Answer Mr Tilson's question. We're going to start running the clock.

Mr McGeown: Basically, the confusion arises because the inventory is an accumulation of debts. You can see from this chart that debts come in and they get handled in various time frames. We have some debts that get handled within six months. We have some that take 12 months, some 18 months, some 24 and some even three years. The time period is based on the kind of debt and the debtor. In other words, if you have to actually go in and search for an individual and locate him—some of the people we're dealing with have changed addresses five, six, seven, eight, 10 times. Some of the debts we get from ministries may be very old, some of them as old as eight years.

Mr Tilson: Could I just stop you there. The point that I understand was being made—it's difficult because I wasn't present when this took place—

Mr Callahan: Perhaps I can clarify.

Mr Tilson: No. I wouldn't give you that chance, Mr Callahan.

The criticism that's being made, as I understand it, is the collection, whether you're talking one month or whether you're talking 36 months. The Provincial Auditor—I hope the Provincial Auditor will jump in here some time—is simply saying these things aren't being done. Whether it's 36 months or one month is irrelevant.

Mr McGeown: I'm just trying to explain how you get an inventory. We're talking on an annual basis. Something that takes three years obviously is going to go into inventory. Something that takes two years will go into inventory. Something that takes less than a year will not go into inventory, will be dealt with in that year and therefore will be in the figures for that year.

There are two numbers you have to focus on here. There's one that is the percentage of the total inventory, which is collected on an annual basis, and that is 12%. Then there's the percentage of the actual new business we get that year, and that is 30%. That's a 30% number. All I'm trying to point out here is that both of those numbers are in keeping with what you would expect for any collection agency. We do not expect to collect more than \$1 out of \$10 on these kinds of accounts.

Mr Tilson: I just look at page 34. Those are pretty serious allegations that are being made by the Provincial Auditor. I'm going to read it to you, because it gets back to my question. I know what you're saying, that some accounts are more difficult than others. Notwithstanding that, the Provincial Auditor has said:

"In 70% of the cases we reviewed, none of the outstanding debt had been repaid. We estimated that during the 1991-92 fiscal year, the ministry collected less than 3% of outstanding overpayments. The ministry's collection program relied on voluntary repayment. Legal remedies were not pursued."

It almost describes a state of shambles.

Mr McGeown: I believe those references were to the Ministry of Community and Social Services.

Mr Tilson: Yes.

Mr McGeown: We have no control over those. In fact, all I'm talking about is the material they give us to effect a collection on. The statistics I am giving you are the materials that ministries have sent us. I can't comment on what ministries have done with them before they sent them to us.

Mr Tilson: Could I have Mr Peters comment?

Mr Erik Peters: There are really two stages in the collection process. Once an overpayment is detected by Comsoc, the social services, they go into their own effort of collecting and they are only succeeding at the rate of 3% of what they have overpaid.

At a certain stage in the life of that account, under the mandatory provisions that Mr McGeown has just pointed out to us, they turn this account then over to the central collection agency, and at that point they have to go into the collection under the constraints that are given to CCS by Comsoc. In this memorandum of understanding that Mr McGeown refers to, they say: "Here are these accounts that we cannot collect. You collect them, but here are some conditions that we impose on you in the way you proceed on collecting." So that's the 3%.

Now the 10%, if I may come back to that, was really the overall performance of CCS; it was not directly related to only the Comsoc accounts.

In other words, what we were saying at that time, and I think that's what Mr McGeown was getting at too, is the total number of accounts owing by Ontarians or other people that had been turned over to CCS, the average value was about \$140 million in 1992. That was outstanding in 1992. There were previous years; there was the accumulation of what was outstanding. Out of those \$140 million, they collected about \$14 million, and that was where the 10% came from.

If I may, the statistics that you have just seen provided were relating to the new accounts turned over but did not relate to the carry-forward from preceding years that they also collected. That's why you get a higher percentage, like 32%, if you only relate it to new accounts turned over and ignore the accounts that have been going uncollected for a number of years but are still on the books of CCS.

Mr Tilson: There's no question in my mind, having listened to what you said, that the overall process from start to end, stinks.

Mr Peters: Yes.

Mr Tilson: That's a good answer.

The Chair: Mr Callahan, do you have a point you want to clarify?

Mr Callahan: Yes. Just to clarify it, it was my motion, and so that people who are watching this will have some understanding of why the motion was put forward, when we found out that only 10% of the collections were being collected, we wanted to find out how that 10% got watered down when you took the cost of creating the 40 people

they've got working there, the fax machines, the computers and all the rest. How did that work out? Were we paying 15% to collect 10%? That's really what the nature of this exercise is today and that's what I'm going to be asking my questions on.

The Chair: Mr Duignan, five minutes.

Mr Duignan: I notice that we assign a number of our accounts to the private sector, and the question is, if we assigned all the moneys to the private sector, would there be more money collected than what your department would collect?

Mr McGeown: Based on the actual figures that we have from our current private collection agency—and we think they're the best, for they've been selected through a rigorous process—they actually collect less money than our own internal people and they don't have to deal with some of the really difficult accounts such as the FBA overpayment accounts. We just don't give them those; we can't give them those.

So there's every indication to say that the collection officers that we have do an exceptional job and I think I'd put them up with anybody in the collection business in terms of their professionalism and what they've accomplished. They clearly are collecting at least as good as the private sector, and there are indications that they're collecting much more.

Mr Duignan: I tend to agree with Mr Callahan on why we wanted to hold a special audit. To clarify a point for myself, there are two particular accounts you work from. There is what you call a current year, which is roughly 30%, and then there's an inventory amount of money you collect from, which is 10%. Is that correct?

Mr McGeown: Yes.

Mr Duignan: Of that \$140 million in inventory, how far does it go back?

Mr McGeown: Perhaps Mr Henley could answer that. My understanding is that it goes back quite a few years. In fact, some of them could be as long as eight years.

Mr Cecil Henley: Yes. From the time that we've received them, eight years; from the time of inception of the debt, it could be up to 16 years.

Mr Duignan: How many?

Mr Henley: Sixteen.

1050

Mr Duignan: Why would you hold a debt on the books that long? Your chances of collecting are—

Mr McGeown: We would agree with you. You have to understand the situation here. When a ministry sends us the debt, we can't say, "This one's too old; take it back." What we in fact do is we try to collect on the debt and we move as expeditiously as we can in that arena.

But you're absolutely correct in that the older the debt is, the more difficult it is to collect, which is why just two or three months ago, I think, our deputy minister sent a letter to all other deputy ministers saying: "We would like to have those accounts sooner. The earlier we get them, the

more effective we can be at collecting them". So we agree with you.

The Chair: When was the letter sent?

Mr McGeown: I can get you the exact date.

Mr Browne: The letter wasn't actually two or three months ago; it was December 1991.

Mr Duignan: Two further points: Of that \$140 million, in your own estimation, how much of that is uncollectible, because of the time lag, for example?

Mr McGeown: Cecil, could you give us—

Mr Henley: Of the newer stuff, less is going to go to write-off; of the older stuff, more of it. It could be as high as a third of the older accounts which are over 36 months. So about 5% of the over-36-months and then that scales down. It's not the kind of figure that you can come up with, because it would be a guesstimate. As the economic situation improves, less of it would be written off. So as long as the people are willing and express a willingness to pay over a period of time, we'll retain the debt. A lot of these people want to pay, but they just don't have the ability right now, and we agree to hold it until such time as they can handle it.

Mr Duignan: Do you have a breakdown on those types of figures that you could supply to the committee, how old the debt is, how much it is and, as you indicated, that people are willing to pay but just can't because of the economic conditions?

Mr Henley: No, I don't believe our system has the ability to do that. We know it from experience in working with people, but we can't break it out.

Mr McGeown: Are you asking for the statistics, sir?

Mr Duignan: Yes.

Mr McGeown: That is a difficult problem. In terms of writing stuff off, essentially under the memorandum of understanding, on a specific account there are certain authorities delegated to us in terms of write-offs and we take those actions under that memorandum of understanding. If, however, the memorandum of understanding does not permit us to do that, we effectively reach a point where we cannot collect the debt and we believe it should be written off, and then we send it back to the ministry with that recommendation.

There's a lot of paperwork associated with that, and there probably is a number of accounts. That \$40 million could be dealt with more expeditiously if we had the resources to do it. Right now, every collection officer in the unit is working a long and difficult day, managing about 1,000 to 1,500 accounts, almost twice what people manage in the private sector.

The Chair: Mr Duignan, Dr Frankford has one question. We only have time left for one question, so it's up to you guys how you want to use it.

Mr Duignan: Okay, I'll hold off.

Mr Robert Frankford (Scarborough East): I see the different categories, the big categories you've got, and presumably the policy varies when things are considered uncollectible. With the venture ones—

Mr McGeown: New ventures loans?

Mr Frankford: Yes. Is it often the case that you'd be dealing with a corporation that doesn't exist any more?

Mr McGeown: Usually the corporation still exists, but we often bump into situations where some of the partners have disappeared, or someone is left holding the bag for the whole amount, even though they thought they were only getting in for a third, because it's held joint and several, I think is the terminology. Anyone we find is obligated to pay the full amount. Often they've lost their house and they've suffered ill health as a result of this thing, so there's only so far you can push in those situations.

The Chair: Just before we continue, we've each done a five-minute rotation, approximately. I'd like to know whether or not the presentation is finished.

Mr McGeown: I think I can cut it off there.

The Chair: Okay, we might as well start with our regular rotations then. Is 15 minutes too long? Is 15 minutes about right? It's all right?

Mr Tilson: Mr Chairman, just as a point: Has the Provincial Auditor said all he wants to say about this? When's he going to do that?

The Chair: Usually, we allow the members to do their work first.

Mr Tilson: I have a lot of questions, but it may cut down. The Provincial Auditor's office has expressed some concerns.

The Chair: No, I think the members deserve the opportunity to have their say first, and the Provincial Auditor is here as a backup whenever we want to ask him anything at any time. I believe that's appropriate also.

Mr Callahan, you have until approximately 10 after 11 and then we'll move to Mr Tilson and others.

Mr Callahan: I'm trying to figure out: You've got 40 employees; is that right?

Mr McGeown: That's correct.

Mr Callahan: And you must have all of the necessary equipment: fax machines, computers, Xerox machines, desks, tables.

Mr McGeown: Yes.

Mr Callahan: What is the total cost to the ministry in any one year for that department?

Mr Henley: The total cost is the budget that's been allocated to us.

Mr Callahan: What is that?

Mr Henley: It's \$2.91 million for 1992-93.

Mr McGeown: Not the commissions.

Mr Callahan: That pays for everything?

Mr Henley: Not the commissions. Sorry, that includes the commissions; \$2.063 million is the total budget allocated for the operation of central collection service. When we add staff, we get our supplies, wherever possible, from assets disposal.

Mr Callahan: But does that pay for all your supplies and all your staff? That's not paid for through another ministry or something?

Mr Henley: No, sir.

Mr McGeown: No.

Mr Callahan: It's not like the ministers, who have separate expenses for their minister's office.

Mr McGeown: No, this is a mandatory service. It's paid for out of the estimates and we do not collect money from ministries.

Mr Callahan: You've given us a policy, which I think is a very commendable policy, as to how you go about collecting it, and I would think that with that kind of a policy, if you got a really recalcitrant debtor, he could run you around the block 105 times. It's certainly not the way most collection agencies that I'm aware of operate. In fact, with some of them I've had complaints from my constituents and I've written to the minister about them. And you're telling us that despite your—and maybe it is; maybe gentleness works better than roughness—but you're telling us that your collection ratio is better than that of private collection agencies?

Mr McGeown: Yes, sir.

Mr Callahan: How many collection agencies are we talking about? How many are you telling us? One, two, three, ten?

Mr Derek Fletcher (Guelph): We did a survey of 150. Come on, Bob.

Mr Callahan: I didn't ask you the question; I asked the person who's testifying here the question. I wonder if I could ask the question of the people who are here—they came here, spending their time here—instead of one of the members opposite trying to answer the question.

Interjection.

The Chair: Order, please. Mr Callahan has the floor and he can ask the witnesses serious questions if he wishes, and it's up to the witnesses to respond.

Mr Callahan: How many collection agencies did the—

Mr Henley: A quick survey was done of three of the agencies.

Mr Callahan: How many agencies do you believe are out there?

Mr McGeown: Plus, I might add, the three agencies that we use on a regular basis, so we really have very detailed statistics on that.

Mr Callahan: No you don't, with all due respect. If there were only three agencies—there must be more than three collection agencies out there in the private sector.

Mr McGeown: Sure.

Mr Callahan: How many would you say there are? A couple hundred, maybe more?

Mr Henley: When we put out a tender, approximately 30 indicated interest in central collection service accounts. How many there are actually out there, I really couldn't answer.

Mr Callahan: I'll bet you there are hundreds of them out there. And you're saying that the three that you're measuring your experience against are the three that you usually use for purposes of collecting accounts.

Mr Henley: Yes.

Mr Callahan: That's hardly going to an arm's-length comparison, is it?

1100

Mr Henley: The kinds of questions we would be asking are not readily available from agencies that we don't do business with. These are very private corporate statistics that they don't readily give out.

Mr Callahan: How long have you used the three agencies that you've compared your track record with?

Mr Henley: One of them, going up to nine years.

Mr Callahan: How about the others?

Mr Henley: One of them six, and the other one just started with us on a new tender. They won a position on the new tender.

Mr Callahan: You do this on the basis of a tender. Surely, part of that tender question must be: "What's your track record in terms of collection? How much do you collect?" Isn't that part of the tender? I would think that would be the most important part of the tender, in fact.

Mr Henley: The most important part of the tender is the manner in which the agency will deal with the accounts that we provide them. That's the most important.

Mr Callahan: That's more important than the question of how much of that outstanding debt they can recover for the government.

Mr Henley: It's a fine balance. An agency can go out and be extremely difficult with our debtors and collect a lot of money but create a serious number of problems with complaints, with going to the newspaper and saying how unfair the government is in doing this.

Mr Callahan: That's probably a good reason why it shouldn't be within the government. I mean, we're not talking about moneys that we can do without; we're talking about taxpayers' dollars. You don't pussyfoot around with collecting taxpayers' dollars and that's the impression I get. It's fine to have a nice central collection service policy, which is all very nice, but I find it very difficult that I as a taxpayer would expect a lot more than that in terms of the collection of that amount.

Having looked at your policy, one of the terms of your policy is:

"Collection procedures should be carried out in a professional manner. Scrupulous efforts should be made to ensure courteous, fair and consistent treatment of all debtors."

I understand that you've now had referred to you by the Attorney General's department the infamous unpaid fines and traffic tickets. I've had a lot of constituents, and I'm sure many of my colleagues have come roaring to our offices saying: "We've paid it. What in the world are you doing, using a hammer to kill a flea?"

Mr Tilson: The new, gentle NDP government.

Mr Callahan: That's right, and here's what gets sent out. "Ministry of the Attorney General records indicate you've been convicted of an offence as shown below. The amount due has not been paid. The ministry intends to collect this debt from you. You may have already been

contacted by government central collection”—none of my constituents have been—“informed about a suspension of your driver’s licence or a denial of a renewal of vehicle plates.” That’s for a parking violation.

Interjection.

Mr Callahan: Let me finish. I’ve got constituents who have told me that since about five years ago, when you renewed your licence plates you had to pay all your fines, and they said, “I don’t owe it any more or I didn’t do it.” I think maybe the public watching out there should understand there’s a new policy by the ministry that you can now go before a justice of the peace—they haven’t told anybody about this—and swear that you’ve paid it and you’re let off the hook. Did anybody know about that? Did any of the members know about that? No.

The Chair: I’m sure everyone watching is going to know.

Mr Jim Wilson: I do. It was in the paper.

Mr Callahan: They didn’t know about it at the time. If you’re accepting their fines for collection, I suggest you’d better change your policy, because if that’s called, “Scrupulous efforts should be made to ensure courteous, fair and consistent treatment of all debtors,” to me that certainly is not courteous, fair and scrupulous. That’s trying to ride roughshod over the people in this province and making them pay when perhaps they don’t even owe the money.

As the Attorney General said: “It doesn’t matter if they’ve paid it. They’ve got to pay it again.” As I said before, in the private sector that would be called theft; in government it’s called bureaucratic administration. I think you’d better look into that. That’s one debtor. If he or she refers anything to you, I’d just say, “No, we don’t want it,” because if you do get it, you’re going to find that it’s not going to live up to the policy that you have here.

The Chair: Do you want to give Mr McGeown a chance to respond, Mr Callahan?

Mr Callahan: Sure.

Mr McGeown: I think I’d just like to draw your attention once again to the collection cycle. Everything you’ve talked about is in this first box, which is handled by the Ministry of the Attorney General. I certainly can’t comment on their policy or how they’re going about undertaking this particular item. We do not have the unpaid fines coming to us at this time. We will at some time in the future, and we will deal with it at that time, but right now all the things you’re talking about are in the hands of the Ministry of the Attorney General. We have no say in the policy of that ministry or how it conducts its business.

Mr Callahan: I thought you just told us that you’d had that referred to you.

Mr McGeown: It has been referred in the sense that it will be coming to us at some point down the road. Right now, it’s still being totally handled by the Ministry of the Attorney General.

Mr Callahan: So the Attorney General is doing the first hit, and then after she’s done that hit, it’ll get sent to you. Is that right? She is sending out the first—

Mr McGeown: My understanding is that she’ll send out—

Mr Callahan: Well, it’s not her; it’s her staff. But they are sending out the first hit and that’s the first salvo: Scare the daylights out of the citizens of this province. Even if they have paid them, scare the daylights out of them and then they’ll give it to you people. From the looks of the policy, the bad guy, good guy routine is what we’ve got here.

Mr McGeown: Just one other point of clarification—
Interjection.

Mr McGeown: We have actually run for three years, on a pilot basis, collections on fines with the Ministry of the Attorney General on a small number of courts, and we’ve have no negative publicity at all surrounding that. We have followed those principles, and it has been successful, but it’s a small pilot. I can’t predict what’s going to happen six months down the road.

Mr Callahan: Maybe they should’ve stuck to that. I didn’t get any complaints before this shooting-from-the-hip policy came out. But in any event, does your department have any type of policy area where you might suggest to a ministry, “Well, you know, maybe the normal collection agency route is not the way to go”?

We should perhaps do it the way I thought was smart with fines. I’m not in favour of people not paying their fines, but I think there’s an awfully cheaper way of doing it, particularly when it’s a fine that deals with a motor vehicles, and that is, “No tickee, no washee. You don’t pay your fines, you don’t get a licence plate renewal.” That was working rather nicely and suddenly, for a one-day media hit, the people in this province are now being treated like they’re some sort of convicted felons for a parking violation. I find that absolutely outrageous. I would think that maybe within the framework of your policy, which seems to be a good one in terms of the way you treat people, there should be a general think tank as to easier ways to collect money than this shoot-from-the-hip approach.

You have used collection agencies. How much of your work is referred to collection agencies, what percentage?

Mr McGeown: It’s about one third.

Mr Callahan: One third of it.

Mr McGeown: Yes. There’s a chart in your package that shows that.

Mr Callahan: To your knowledge—I think it’s 60 day days—doesn’t your manual say that ministries are supposed to refer a debt to you within 60 days if it’s not collected?

Mr McGeown: In 90 days.

Mr Callahan: In 90 days. Do you have any authority to require them to—who polices that if they don’t send it within 90 days? I understand that in the ministry, according to the auditor’s report at the ministry level, the question of collecting debts was sort of the one on the back burner. That was the last resort. If they finally decided, “Well, maybe we’d better do something with that piece of paper,” they’d send it to you guys and you’d collect it or try to collect it.

Mr McGeown: Yes. I can tell you that we do not police it. Our job is to take the accounts they give us and work vigorously to bring them the revenue.

Mr Callahan: Does anybody police it?

Mr McGeown: I can't answer that. I honestly don't know. I think it would be related to the Treasury policy. You might want to talk to someone in Treasury.

Mr Callahan: So Treasury should be enforcing it, I guess.

Mr McGeown: I can't say.

Mr Callahan: We'll save that for Mr Laughren in the House.

Mr McGeown: I can't say.

The Chair: One more question, Mr Callahan.

Mr Callahan: Just before I go I'd like to say I may have been barking but I'm not barking at you people. I'm barking at the silliness of trying to collect funds through a program that could've been done far more easily through just collecting it when you got your licence plates issued. It wouldn't have entailed any more people. It wouldn't have put a burden on you people. You could have gotten on with collecting the things you should be collecting. That's my major concern.

1110

The Chair: Mr Tilson.

Mr Tilson: In spite of all the shots that appear to be coming to you, the auditor actually said that the central collection service has a better collection record than Comsoc, which is Social Services, which is how all this got going. There was a statement made, and I don't know whether you've had a chance to look at the auditor's report on the Ministry of Community and Social Services, especially the family benefits assistance section. On page 34, the auditor said: "We found that delinquent accounts were rarely referred to the central collection service of the Ministry of Government Services as required by ministry policy." Then of course they say, "The central collection service has a better collection record than the ministry." I suppose that could be a compliment or it could not be a compliment, but we'll take it as a compliment.

My question to you is—and I think you made a comment to Mr Callahan or to Mr Duignan; I'm not too sure—that you can't comment on the policy of the Attorney General with respect to what it's doing. But surely you feel you have an obligation. I mean, you're getting all these debts, and it must come to your attention that some ministries are saying and specifically the auditor's saying that the delinquent accounts are rarely being referred to you from Comsoc. You must know that because you're not getting any mail from them, or it would be appear.

Do you feel it's incumbent upon you to draw to the attention of a specific ministry that perhaps certain accounts should be referred to you?

Mr Browne: Mr Tilson, I feel that, in essence, when our deputy minister sent out a letter to all the ministries somewhat over a year ago, within that letter she requested information on what overdue receivables they were holding that possibly could be transferred to central collections. We

were looking, at the time, at the possibility of creating a business case which could justify a good return for the government on accounts that potentially were going to be referred to us with some encouragement. All ministries received a copy of that request and replied back. But I would say that our deputy did take initiatives to basically encourage outstanding receivables that are out there that we didn't have.

Mr Tilson: Did you get any response from Mrs Boyd's ministry, from the Ministry of Community and Social Services?

Mr Browne: We received a response at the time which indicated there was a very significant amount of outstanding receivables. But at that point the ministry did not feel they were appropriate to be referred.

Mr Tilson: Can you tell me what you know of this ministry's policy that says that delinquent accounts should be referred to the central collection service? Is there a standard policy in the government or does each individual individual ministry have a policy?

Mr McGeown: There is a Treasury policy that says a delinquent account should be forwarded to the collection service.

Mr Tilson: Can you tell us what ministries do not appear to be complying with that policy?

Mr McGeown: I can't tell you who is not complying but I could certainly tell you whom we do business with. As I said, there are 102 programs; there is quite a number of them. I suppose you could reverse that out and say, how many programs are there? There are 102. But you have to remember some programs don't have any collections at all. They are doing business on a cash basis. They'll never have collections.

Mr Tilson: Having said that, I need to ask the Provincial Auditor to explain why his staff has said they found that delinquent accounts with respect to this specific ministry were rarely referred to the central collection service of the ministry as required by ministry policy.

The Acting Chair (Mr Robert V. Callahan): Which ministry are you talking about?

Mr Tilson: I'm talking about the Ministry of Community and Social Services.

Mr Peters: To put this into the overall context, the audit of the regions related essentially to the overpayments that were made to recipients. The point we were making was that overpayments should actually be avoided by the ministry in the first place, because whether the overpayment could actually subsequently become a collectible item is a very questionable situation. They do not know whether they can actually collect overpayments in the future. They have a soft policy in terms of not going forward with the overpayments to pursue them in a legal manner. We pointed out some instances, I believe, where even major amounts were not pursued because they said they were not pursuing items of this nature. We were saying that therefore their collection record was very poor.

Our point was really that once an overpayment occurred, collection by the government was not really an available

remedy because the percentage collection was very poor. They would collect only 3%. Then, when they turned it over to CCS, CCS very often didn't even have a chance to properly collect because it may have been a question of whether it was actually a claim against a person who could afford to pay. This was not an available remedy. Our point, in the context in which we were making it, was that Comsoc should really make every effort available to avoid overpayments in the first place because it couldn't benefit the taxpayers by the collection effort at the end, regardless of whether it was the ministry or whether it was the central collection agency, although it had a better record.

The Acting Chair: Just to clarify that, as I recall, the reason they may not be able legally to collect that is as a result of a decision in another province which is being appealed to the Supreme Court of Canada as to whether, under the Charter of Rights and Freedoms, you are able to take money from people as an overpayment while you're paying them social assistance.

Mr Tilson: The world's going mad if that's the case.

The Acting Chair: I think that's the issue that will be determined by the Supreme Court of Canada some day.

Mr Tilson: I'd like the Provincial Auditor to comment, because at the time the Provincial Auditor's office made its report, the minister, Mrs Boyd, said—and I'm quoting from an article in one of the Toronto newspapers back in December—"The staff problems are well on their way to being resolved. Obviously, when you have a problem that is as deeply systemic as the auditor is identifying, it takes a while to ensure that you can solve all of the problems." Obviously, the problem in this ministry, on this issue, is a mess. Has the ministry communicated with you in any way since your report came out to indicate to your office how it is attempting to correct this problem as identified by your staff?

Mr Peters: Actually, they did testify that the main problem they had identified was that the case load per staff member in their ministry was so high that they actually ended up in a position of paying first and asking questions later in a number of instances. They had resolved the issue or were on the way to resolving it by engaging up to, I believe the number was something like 450 additional social workers to deal with the additional case load, to get the problem under control. I think that by the time they were before this committee they indicated that they had already hired 200 and were planning to hire another 250 more in the near future. That was their way of resolving the problem. They identified it principally as a staff case load problem.

Mr Tilson: Thank you, Mr Peters. If I could pursue another area, Mr Chairman, through you to the delegation, I believe you made some comments, when you were talking of your inventory, that you had outstanding claims of 8 to 16 years. There were some very old files. Why bother? We have the Limitations Act that says you can't go after claims beyond six years, or does the Limitations Act not apply to these things?

The Acting Chair: The crown's probably not bound by the Limitations Act.

Mr Tilson: I don't know; I'm just asking. I just find it remarkable that we're trying to collect claims of up to 16 years.

1120

Mr Jim Wilson: Our friends wouldn't be in debt.

Mr McGeown: We're not bound by the Limitations Act. We will be, because there's a new Limitations Act coming forward. I guess the bottom line is that even though it's an old account, if you can collect on it, you should try to collect on it. We go through that process. If we collect, then that's money to the good; if we don't, of course we have to put that back to the ministry and ask it what it'd like to do with it.

Mr Tilson: Looking at your policy—I read it—to be quite frank, you're trying to do your best, but you're not being that aggressive. I look at the issue. Maybe you'd want to correct that, but before I get you all excited maybe I can ask you a specific question. When you get to claims of 8 to 16 years or long periods of time, I'd like you to tell me a little bit about what legal action you embark on as opposed to writing a series of threatening letters over a period of 16 years.

Mr McGeown: I'm going to ask Mr Henley to address that. I think you'll find that there's considerable legal action. In fact, we have paralegals who work on a regular basis and go to court on a regular basis. I'd just like to say that just because we've got a humane policy doesn't mean we're wimpish about how we implement it.

Mr Tilson: Oh, I wouldn't dare suggest that.

Mr McGeown: I just thought I'd clarify it for the record.

Mr Tilson: I understand.

Mr Henley: What we gave was an extreme example. It could go as far back as eight years, meaning that the original debt might have been incurred eight years prior. For example, in a complex loan that had been issued by one of the ministries, it may be eight years before they finish disposing of all the assets of that original company. You can't collect on the personal guarantee until you've disposed of the assets, which is fair to the person who guaranteed it. I think the question is that by the time we get it the original debt may have been that old. The bulk of our accounts obviously aren't that old. The bulk of our accounts are in three to five, three to six years.

Mr Tilson: When do you decide, if I could continue, Mr Chairman—

The Acting Chair: You've got about two minutes left, Mr Tilson.

Mr Tilson: Thank you. When you do decide when an account is uncollectible? Do you have a policy on that?

Mr Duignan: After 25 years.

Mr Henley: I think it varies with each account. I think you have to look at what the prospects are. If the prospects are a reasonable opportunity of recovery in the foreseeable future, then I think we would be a fool to submit it for write-off. We do vigorously pursue with legal action. Sometimes we're forced into a situation where we have to

take what is called a passive judgement. In other words, we get judgement on the account, but for some reason of sensitivity—maybe it's a matrimonial home involved—we take a passive judgement and don't act on it until that person decides to act on the property. It's not something where we would harm the individual, but at the same time, if he ever decides to sell the property and take his equity, then the province should get some of its money back at that time.

Mr Tilson: Notwithstanding what you've just said, I find it strange that you have lawyers, staff, whoever, working on files that are years old.

Mr McGeown: I think that if you look at the number, it's clear we have 84,000. We don't have the capacity to look at 84,000, so there is a prioritization that goes on there. We obviously work on the files we think we're going to collect the most on. If we had unlimited resources, we could tackle all of them, but we clearly can't do that. You're correct in suggesting that some of the older stuff, and certainly many of the accounts we have, are not highly collectible. They are not the ones we would focus on, but we do try to examine them all and get some action going on them.

If you recall, I did put up a slide that looked at what we actually get each year and what we try to pump out each year. Of what we're getting, we're putting out, in dollar terms, about one third. That's the focus in terms of moving things expeditiously through the system. You're correct in saying that a lot of these older accounts are very difficult to collect on. We agree with you completely.

The Acting Chair: Okay, we'll have to move on to Mr Duignan. I can never get your name right. What is it now?

Mr Duignan: Duignan.

The Acting Chair: Duignan, okay.

Mr Duignan: Thank you, Mr Chair. Just following along and picking up some of the points from Mr Tilson, that number of accounts is roughly some 84,000 people. But you have debts that go back 8 to 16 years. If I'm correct, that represents about \$47 million to \$50 million of that inventory of \$140 million. How much of that \$47 million to \$50 million is represented in those 84,000 accounts?

Mr Henley: Could you repeat the last part of your question, please?

Mr Duignan: Of the 84,000 accounts you have right now, how many of those accounts go back eight to 16 years? What does that \$47 million to \$50 million represent in the number of accounts, one third roughly?

Mr Henley: The 8- to-16 year category? Probably less than 2%.

Mr Duignan: Less than 2%.

Mr Henley: That has to be a guesstimate because we don't have that figure from our system, but you're not looking at a huge volume of accounts. The bulk of the accounts is in the earlier stages.

Mr Duignan: But you would be actually looking at some large accounts. If that \$50 million represents only about 2% of the 84,000 accounts—

Mr Henley: It's not \$50 million.

Mr Duignan: Maybe I'm getting confused here.

Mr Henley: Yes, a little.

Mr Duignan: I'm wondering, of the \$47 million to \$50 million, which roughly represents the accounts that are 8 to 16 years old—

Mr Henley: I don't know where that figure came out.

Mr Duignan: That's from a question I asked earlier. You said roughly one third of the inventory of the \$140 million is 8 to 16 years old.

Mr Henley: No, sir, I don't believe that was quite what was meant. Roughly half of our inventory is aged beyond—and I think that was from the pie chart—12 months. Half of our inventory is 12 months old and half of our inventory is in excess of 12 months, and that's by dollar.

Mr Duignan: I will check Hansard. I won't be able to check—

The Acting Chair: It may be that if he said that, it was a mistake. I think he's correcting his mistake now, if that was it. I don't think we have to—

Mr Duignan: Okay, I'd like to move on, Mr Chairman.

The Acting Chair: If you want to, we can check Hansard.

Mr Duignan: No, I will check it later.

When this issue arose in January, I know my good friend the member for Brampton South was promoting the idea of sending all these debts to a private collection agency. He said—he can tell me if I'm wrong—it didn't make any difference whether these agencies charged 50% to 75% fees, that any money the government gained would indeed be a plus. You have alluded to the costs of sending these debts out to private collection agencies versus doing them yourself. I want to discuss the process of how your department goes about operating versus a private collection agency. I'm thinking, for example, of a single parent who would be, say, on GWA and may have an outstanding student loan, or something similar to that. How would your department deal with this differently from a private collection agency? In my office I get a number of complaints from constituents saying how collection agencies harass people on the phone. Would you do something like that?

Mr Henley: Would we harass them? No, it's expressly forbidden.

Mr McGeown: I think the key point I would make here is that we would be sensitive to that person and that person's position. We would actually turn around and counsel that person on his financial status and maybe suggest a way out of it. Sometimes we will accept \$50 or \$100 a month in order to work the debt off. It may take years and years. That's another reason why some of them are around for a long time, but that's part of dealing humanely with the individual.

The other thing is that we train our officers over an extended period of time to be aware of those kinds of people and the kind of condition they might find themselves in. The memorandum of understanding from the ministry makes it very clear how it would like us to operate in that condition.

That's not to say that someone in a private collection agency couldn't learn all the same things. They just don't have the same kind of access we have to those government programs.

1130

Of the agencies in the private sector that we do use to collect, one of the criteria that we put in the tender is their capacity to spend the time to train their people and to get them up to a level where they can operate in an effective manner in this environment. You can't just look at collections as collections; you have to look at it in terms of whom you're collecting from and the environment that you're in. We check up on that, we actually go out to those private collection agencies and ensure that the people have had the right kind of training and that they're dealing with those issues in the right way.

Mr Duignan: I know my friend from Brampton South, who appears to be a very strong proponent of the use of private collection agencies to get money owing to the government—

Mr Callahan: On a point of order, Mr Chair: I didn't suggest that at all. What I did suggest was that we should investigate the question of whether or not it might not be more fruitful for the taxpayers of this province, in the final analysis, to use people in the private sector as opposed to creating a bureaucracy in the government that may be costing us more than what we are collecting. That is what I do support.

Mr Duignan: It's nice to see that my friend from Brampton can skate around an issue. You can correct me if I'm wrong that you have stated on the record that the current central collection system, if I can quote you, is loony tunes. Can you relate to me what has happened in other jurisdictions that have turned their entire collection policy over to private agencies, if you know of any other jurisdictions.

Mr McGeown: I'll ask Cec to address that. He may know more of the specifics. I know of a few, and they have run into problems when in fact they've sold the debt, if you can understand that distinction. If you've got \$140 million, maybe you sell it for \$10 million and then the agency can take whatever steps it wishes to collect. If it collects \$12 million it made a \$2-million profit; if it collects \$20 million, it made a \$10-million profit. So there's a total disincentive in that system to adhere to the kind of policy restrictions that we were talking about and that we think are very important. That's one part of it.

The other part of it, of course, is that there are certain parts of government collections today which we just don't feel are appropriate to be handled by the private sector. Do you know specifics? I think Manitoba did something.

Mr Henley: CCS has had phone calls from both Alberta and British Columbia, which are interested in the central collection structure that we have here in Ontario. From what they told me, as a result of, first of all, the demands on their revenues, and second of all, complaints that they have had when on occasion they've sold accounts to agencies, they felt that they'd lost control and they

felt that our organization bore at least a serious look and potentially copying.

Mr Duignan: So in fact there are other jurisdictions in Canada that have used private collection agencies that have been told to collect money outstanding owing to the government, and their experience hasn't been good. In fact, they're looking at getting back into handling the accounts themselves because of the problems created by outside agencies.

Mr Henley: That was my understanding. They had two reasons: One was the sensitivity issue, and the second was the cost factor, that it was more economical to do it with a quality organization than it was to send it out to a private agency at whatever rates the agency would be charging. Obviously, those rates vary, but they're usually averaging around a third or higher, depending on the age of the account.

Mr Duignan: Given your ratio versus the private sector, in fact you have a good track record for dollar value of getting back in those accounts again. If we double, for example, the size of your organization, would you double the amount of money collected?

Mr McGeown: No, we would not double it, certainly not right away, simply because the latency and getting back into that inventory of accounts; but over time, you in fact would. There's a direct relationship between the number of collectors we have and the amount of revenue we return, and I've tracked that over a number of years. Actually, there's another interesting inverse relationship, which is that when we put too many accounts on the collectors, say when we move them from 1,000 to 2,000, the revenue actually drops. They just can't handle it; there is so much wheel-spinning going on in trying to handle that number of accounts that we actually ruin our effectiveness.

So there is a relationship, and yes, if we had additional collectors, we would immediately pick up on money. We wouldn't double it, but over a period of time it would get up to doubling as we gained experience with the accounts.

Mr Pat Hayes (Essex-Kent): Do you have a breakdown on the 55.4% the Attorney General finds? In other words, are some of these just parking violations or other traffic offences?

Mr McGeown: I'm sorry, we don't have that information.

Mr Hayes: You don't have anything other?

The Chair: Mr Hayes, you have the floor, and we have a list of presenters here who can answer all the questions.

Mr Hayes: Thank you, Mr Chair. I think that's quite appropriate.

Mr McGeown: I was saying that I'm sorry, we don't have the breakdown on that figure. I understand that a lot of them are related to parking fines, but I wouldn't guarantee that.

Mr Hayes: A lot of them are related to parking fines.

Mr McGeown: Mr Henley was just pointing out to me that the ones that we have today as part of our pilot

project actually include more than parking fines. I think there are speeding fines and other related things.

Mr Hayes: That would be included in there.

Mr McGeown: That's in the pilot that we're talking about.

Mr Hayes: What I'm trying to get at here is the fact that there are comments made about how ridiculous it is for the government to go out and try to collect fines from people, outstanding bills from people for traffic violations, and we've had a system set up that they couldn't get their plates.

Mr Callahan: On a point of order: Who said that?

The Chair: A point of order.

Mr Callahan: He's suggesting that I said that. I didn't say that. I said the mechanism that's being used—

Interjection.

Mr Callahan: I think I have an opportunity to speak to my point of order. I said the mechanism that's being used, putting it through these people who are already overburdened rather than using the technique that has been used in the past of not getting your licence plate renewed until you paid your fine, was not the wiser choice. I didn't suggest that they shouldn't be paid or collected.

The Chair: That's not really a point of order; it's a point of clarification. I'm going to add a minute.

Mr Hayes: I agree with you, Mr Chair, it's not a point of order. If the member feels guilty or paranoid, that's his problem. What I was trying to get at, and it's not to get personal with any of the members, is that there have been comments made about the system that has been in place, that it's a better system than what we're trying to do now. I guess that's what the member was trying to say.

What I'm saying is that with your driver's licence, for example, if you have violations or unpaid bills or fines, this really wouldn't show up until the third year. So I feel that it would be wise for a government to collect fines within a year instead of waiting for three years for the system that is in place. Would I be correct in saying that?

Mr McGeown: Again, it's hard for me to comment on the specific plans of the other ministries in this area. I believe they're thinking about ways to collect fines much earlier in the process, and no doubt if you asked them that question, they could give you a more fulsome answer.

Mr Hayes: I'd appreciate it if you could get any information. You're back here this afternoon.

Mr McGeown: I think the easiest way to handle that would be for this committee to ask the ministry to come and explain that.

Mr Callahan: That's a good idea.

Mr McGeown: It would be very difficult for me to go there and get all the information from them and bring it back here, and you'd be getting my translation.

Mr Hayes: But the point I'm trying to make is that it's wiser for a government to try to collect fines or moneys owing to it within a year rather than waiting for three years. I think it makes a lot more sense to do that.

The Chair: Mr Fletcher was on the list quite a while ago.

Mr Fletcher: I have just a quick comment. I'm just looking at the auditor's report from 1990. "In our opinion, much of the unit's collection success"—and they're talking about the central collection service—"is due to the diligence of its staff. However, we noted some accounts where there was a lack of timely follow-up." Then they give examples. They also looked at the fact that perhaps you needed more staff in place. Have you thought about hiring more staff or is that in the works, coming up?

1140

Mr Browne: I'd like to comment on that. About a year ago, we did make a submission to treasury board for an increase of about 16 staff, and we justified that on bringing in somewhere in the order of \$4 million additional revenue. Treasury board did approve that. We have undertaken the process and staffed up, and I think if you take a look at the revenue results on the charts that we put out, that is the prime reason why we've been able to come up with something in the order of \$14 million this fiscal year.

Mr Fletcher: Do you still need more staff or are things getting better? I know you can always use more people.

Mr Browne: Again, if you take a look at the handout, the inventory continues to grow, and we can only handle so much with the given resources. So, again, it may be appropriate. Another business case could be looked at.

The Chair: Mr Frankford, one question.

Mr Frankford: This is a point of information. Do the accounts that you have accumulate interest?

Mr McGeown: No. Well, I shouldn't be so quick. It depends on the ministry, of course. Certain ministries do have it set up so that they accumulate interest, and some do not. But I think it's fair to say that the majority do not. So there isn't an incentive on the part of many of the debtors to pay earlier.

The Chair: I'd just like to clarify a point. A couple of members have indicated that they might have questions this afternoon, and we haven't scheduled ministry officials to come back this afternoon. I don't know if at this late date we can even make that request. I'm not sure what other business has been arranged, but there were other things scheduled for this afternoon that I want to talk to the committee about before we adjourn. But we have time for another round of questions, and I know you've been waiting, Mr O'Connor. You'll be first the next time around. Mr Callahan, five minutes.

Mr Callahan: I'd just like to clarify something. If we go back to your in-house versus public collection agency collections, because I think that's really at the heart of this entire reason for my putting the motion forward, you've got two comparisons. What you're doing is a comparison of the private collection agency. You're not comparing the private collection agency's rate of return on all of its accounts other than government accounts, right?

Mr McGeown: No.

Mr Callahan: You're talking about the ones that you've referred to them.

Mr McGeown: Yes.

Mr Callahan: You've already told us that you refer the most difficult accounts to the collection agencies.

Mr McGeown: We do give them difficult accounts, but not the most difficult. Regarding the most difficult accounts, if you recall, I said that there are certain accounts we cannot give to them under the memorandum of understanding, especially FBA overpayments.

Mr Callahan: Okay, but you'll agree with me that the ones you do give to them are the ones that you've found you can't possibly deal with; you can't get a successful result.

Mr McGeown: No, that's not the selection process. That would take us far too long. There are certain types of accounts that we use them specifically for.

Mr Callahan: Like what?

Mr McGeown: For example, in the pilot project on fines control; that's one of the things that they do some work on for us.

Mr Callahan: You're going to send the fines from the Attorney General?

Mr McGeown: In the pilot project, which has been in place for three years, we have used a private organization to handle some of those accounts.

Mr Callahan: I would think they'd be the easiest ones to collect, particularly if they were in government, because all you've got to do is say, "Your licence is under suspension," or, "You don't get your licence plate renewed," or what have you.

Mr McGeown: I think it's fair to say that there's a mix of accounts that go there. That's my point. We send them some difficult ones, and we send them some easy ones. Obviously, they have to make a profit, and this is how.

Mr Callahan: This chart and the information you've given me really haven't satisfied my original concern as to whether or not your collection of accounts and the percentage that you collect is equivalent to what might be collected out there in the private sector if—and I hope you'll not be offended by what I'm about to say—but if your entire section of the ministry was collapsed and the private sector dealt with these issues. That was really what I wanted and you really haven't given me a chart to show that.

Mr McGeown: I—

Mr Callahan: Just a second. What you've given me is a chart to show how well you've done versus the ones you've referred. I have to assume that, at least in most of the cases, those are the toughest ones, because I can't see the point of referring them if they weren't. I'd like to have more detailed information on whether that's the case, this afternoon, if you come back, because I don't think the chart really tells me what I wanted to know about the motion. I wanted to know, quite contrary to what my colleague over there said, if we were to refer these matters out to private collection agencies, whether they could collect more than is being collected presently by the government collection agency. The hooker to that—the additional factor

is that those people are small business people and you're going to collect business taxes from them and you're going to collect a whole slew of other things from them that you won't get by having it within government. That's what I wanted and I don't think I've got that information. It may be necessary to ask the auditor to go in and look at that aspect.

The Chair: Do you want to give the gentleman a chance to answer your comments, Mr Callahan?

Mr Anthony Perruzza (Downsview): Sometimes I wonder if you're a Liberal—

Mr Callahan: I'm concerned about the taxpayers' dollar, which he should be too.

Interjection

Mr Callahan: We didn't have a deficit of \$10.5 billion.

Mr Perruzza: The commercial concentration tax is your baby.

Mr Callahan: Not of \$10.5 billion going up to about \$14 billion or \$16 billion. You better enjoy it, you won't be back.

Mr Tilson: Glad to have you with us this morning, Tony. Glad you could drop in.

Mr Perruzza: Unbelievable. When I hear that stuff, unbelievable. The commercial concentration tax—pin it on your lapel.

Mr Tilson: Mr Chairman, will you bring this man to order, he's interrupting the meeting.

The Chair: Thank you, Mr Tilson. We're just going to ignore the interjections and Mr McGeown is going to be given a chance to answer some of the questions posed by Mr Callahan.

Mr McGeown: We have attempted to demonstrate that the central collection service is an efficient operation in every way that I can imagine how to do that, by taking exactly the same mix of accounts. I think I may have misled you by saying we give them the tougher accounts. That's not really true. I think they are pretty well the same kind of accounts. We give them some additional accounts that have additional skip tracing, for example, and Mr Henley could give us the details on that. We've tried to get what is an equal comparison. I firmly believe it is an equal comparison in terms of the kinds of workload being done. All I'm saying with these charts, which I think are very accurate and to the point, is that it's very similar. There's no huge gap between what the private sector is collecting versus what we are collecting, and that's the only point I can make.

I think it would be impossible to do much more than that, other than put the entire business out and see how it functions. We've had examples of other governments who have done that and they are now thinking of coming back. There are no indications that I can see, in terms of the numbers I monitor on a monthly basis, that would say to me I should be privatizing this whole thing. In fact, by using the private sector I'm constantly able to check how my people are performing against how their people are performing. I'll have to tell you there's a certain amount of competitive spirit in this. My people want to be as good, in

fact they want to be better, and so far that's where they are landing. I think it's important that we recognize that.

The Chair: Thank you. Your time has expired, Mr Callahan. Mr Tilson, five minutes.

Mr Tilson: I'm interested in the last comment you made because it leads to a question I have concerning the overall collection process. The Provincial Auditor, as I indicated to you, was not critical of you, he was critical of an earlier process. Quite frankly, I think we have got the wrong culprits here. You appear to be doing what you can do. It's an earlier process that the auditor appears to be concerned with. I'm going to repeat a form of question that I asked before. You are able to observe the overall picture of accounts coming to you; the picture of accounts not coming to you. Having said that, can you make any comments as to how the overall system can be improved—the system, perhaps, not enough accounts. I was interested in one of the little periodicals the ministry puts out—I think it's called *In Touch*, which is an interesting thing—talking about, “The central”—this is 1991—“collection service staff must be feeling very popular these days; they've got so much business they've had to move to a bigger office,” which is good and bad, I suppose.

1150

Mr McGeown: Yes.

Mr Tilson: Can you look at the big picture and tell us the collection process in Ontario—to use comments I made earlier—stinks. I think it does. The Provincial Auditor thinks it does—not being critical of you necessarily, but the overall process stinks. How can we as legislators improve the system?

Mr McGeown: I have to say it again: The piece of the action we deal with is the central collections and it starts when the account is given to us and it ends when the account returns. We are tightly focused on that and we're trying to give good value for money.

Mr Tilson: If I could stop you—with all due respect, I don't accept that, because you must get accounts.

Mr McGeown: I haven't finished.

Mr Tilson: Okay. It's just that you must get accounts. As you say, “My goodness, why didn't I get these earlier?”

Mr McGeown: There's no doubt that we would like—and we've stated it before—to get accounts earlier. We've talked about the letter the deputy minister wrote about a year ago asking ministries to in fact get those accounts to us earlier because it's easier for us to deal with them and the net result is more positive all round.

We don't disagree with you that there's a problem back there in the system, but it doesn't come into my area of responsibility. You have to look further back into the ministries and what goes on before they actually release the account. Once it's released to me, I deal with it.

Mr Tilson: I believe this committee is in the position to say to the House, “This is how you can improve the system.” You, being involved in a part of the collection service, must have some observations to assist this committee in making such recommendations to the House other than

saying, “We're okay, it's the earlier group that's causing the problem.”

Mr McGeown: I understand, and I suggest that further examination of what happens before the account leaves the ministry is the fertile area for investigation.

Mr Tilson: We've had some discussions which I'm not so sure I've been following, or understanding at least. The business of collection agencies—are you satisfied with the process after it leaves you? Those accounts you don't deal with that are dealt with by private collection agencies: Are you satisfied with that process?

Mr McGeown: Yes I am, not because of the fact that they leave us, because in fact we continue to manage them all the way through it. We monitor them on a regular basis and we send them out.

The areas of dissatisfaction tend to be in those cases where there's been inappropriate handling through an inexperienced member of the organization, where they have done something or insulted someone in some way and we get the letters coming back to us and to the minister that we have to deal with. Then we have to go back to them and review their training program and talk about, perhaps, the individual who may be a little out of sorts and get that taken care of.

It's not an abandonment; it's not a toss-it-over-the-wall. We constantly manage the process. In fact, we spend a fair amount of actual people-time managing that process.

Mr Tilson: I'm sure no civil servant likes to criticize another civil servant. I'm going to ask you a difficult question, but I don't know how else to put it. Are there specific ministries that could improve their ways as far as—talking about the cases that don't reach you ever, or the type of cases that reach you late. Are there particular ministries this committee should be looking at that perhaps could improve their ways or tighten up in following their own policies?

Mr McGeown: I personally don't have that kind of information.

Mr Tilson: I didn't think so.

Mr McGeown: I just don't have it.

Mr Tilson: Thank you.

Mr McGeown: I'm relatively new at the job, so maybe that's part of it. The other side of it is—I think information could be obtained simply by going to the ministries and asking them what is the status of their accounts receivable, how is it aged and where is it going?

Mr Tilson: Or that they're going beyond the 90 days.

Mr McGeown: Yes.

The Chair: Mr O'Connor, five minutes.

Mr Larry O'Connor (Durham-York): I probably won't need the entire five minutes and maybe I'm going to ask the wrong people this question.

Recently I had a phone call. I represent a rural riding and I had a phone call from an elderly gentleman who phoned in and said: “What we need more of are some barbers. We should start up some barbering schools.” Of

course, we all get some very interesting phone calls, and so my constituency assistant passed that on to me.

So while I was getting my hair cut a couple of days later, I did mention it, in passing, to my local barber. She was saying she's a recent graduate from barber school, she got a student loan to go to barber school and she's been paying it back over a long period of time. She stated that student loans aren't allowed to be paid off any quicker than what the original term of negotiation's been. If that's the case, perhaps there's a problem there too. Maybe it's in the way the deal was written, or the deal stretches it out so long that perhaps we're losing out just because some people move or whatever, and we're losing in that way.

Mr McGeown: Yes.

Mr O'Connor: This individual, the barber, wanted to pay off her loan and was told she couldn't pay off her student loan. To me, that seems rather ludicrous and, in noting that you do quite a bit of work in student loans and grants, I thought maybe you might be able to comment. Maybe we'll get a helpful suggestion out of that as well.

Mr McGeown: Mr Henley has the direct experience here, so I'm going to ask him to answer.

Mr Henley: I've never heard that complaint before. As Mr McGeown has related a number of times, we only get the accounts after they go into default. I'm pretty sure that what you're speaking of is an individual who is very diligent in paying her bills and has arranged a loan with the bank, guaranteed by the province. I'm not even sure at this point whether even the Ministry of Colleges and Universities would be able to answer that. I think that is a negotiated agreement between an individual and the bank. It sounds strange to me, again, but you were the one who spoke with your constituent. Usually, people don't complain that they have too long to pay something. That's a new one.

Mr O'Connor: This constituent wanted to pay it off quicker and maybe, as we write our report, legislative research can take a look at that issue for me. If that's the case, we could put that in our report, because here's an individual who wants to pay it off quicker. If arrangements were made a little bit easier, maybe you wouldn't have to be going out there and trying to collect on some of these debts that are needlessly put there. I'll just stop right there, Mr Chair.

The Chair: Dr Frankford and then Mr Duignan.

Mr Frankford: In the last two days we've been talking with the Ministry of Health about health cards and inappropriate payments there. Do you deal with the Ministry of Health if, say, a hospital claim is paid to someone who is ineligible? Would you be trying to reclaim that?

Mr Henley: The Ministry of Health does not refer those accounts to us. I believe they have some internal collection organization in Kingston.

Mr Duignan: Very briefly—constituents, for example, contact my constituency office and complain about collection officers, about how they go about collecting the money owing, whether it's harassing phone calls, profane language, or whatever. Do your collection officers go to any training program?

Mr McGeown: Yes, they do. In fact, they're extensively trained. Maybe Cecil could give us the brief run-down on the training program they would go through.

1200

Mr Henley: As Mr McGeown stated, training is provided rather extensively and in particular, to newer people. As Mr Browne relayed to you earlier, we did bring on a total of 16 new staff—or the authority to bring on 16 new staff. All of them were not collectors, however, so the new people are trained. They're trained, first of all, on what CCS is and what our responsibilities are. They're trained on the collection policy. They're trained on all forms of legislation that may affect collections, and there are a number of pieces of legislation that do affect how you are to collect etc. They also have to be trained on collection process. Many of these people have come from organizations that have maybe a different approach to collections than we do. Maybe some of them have come from the private sector and don't have the kinds of sensitivity that we have to deal with. They're trained on the technical aspects and recent developments in collection techniques. They're trained on various aspects of counselling, which of course has to involve some financial analysis, at a fairly basic level, however. A lot of these things are also done on an ongoing basis, on a repetitive basis, as refreshers and as new developments come along.

But one of the things we've had to do, particularly recently, is to have them deal with hostility. There's a great deal of hostility out there, and when people contact us, if they're mad or they start swearing at us, we can't hang up on them. That's not going to solve a problem. As everybody here is, we're all human beings and we react to those kinds of things, and we have to train people into reacting in an appropriate manner that's not going to create a problem.

So there is a lot of training that has to be provided to people on an ongoing basis.

The Chair: Okay. Time has expired. Mr Callahan indicated he wanted a point clarified. Quickly, Mr Callahan.

Mr Callahan: I just wanted one point. I'm sure if we played Hansard back, your answer would have been that you refer the most difficult cases to those private collection agencies, and I wanted to give you an opportunity. I thought you were trying to say that was not the case.

Mr McGeown: Yes.

Mr Callahan: That is not the case?

Mr McGeown: That is not the case. We're not sending them the easiest, we're not sending them the most difficult. We're trying to send them a certain number of cases. Some of the very, very difficult ones we have to keep in-house, and we do, because they're just not appropriate and the memorandum of understanding doesn't let us put them out anyway. But I also didn't want to leave the impression that we send them the easiest cases. They get an equal mix and it's a very equal comparison.

The Chair: Yesterday the committee expressed some interest in having Mr Decter back in regard to the OHIP cards and I asked for 24 hours to think about how we were going to work all that out. At the same time, we made

contact with someone at the Royal Bank who's an expert on these smart cards. We had hoped to get the gentleman over this afternoon. That's not possible, but he has agreed to come when the Legislature reconvenes in April.

I believe it would probably be more appropriate not to have the session this afternoon based on how we're going to write the health card report because we're not finished with the matter. We're going to see this gentleman from the Royal Bank some time in April. Then I think, based on that, the committee's going to want to see Mr Decter again, and I think at that stage we would be prepared and able to suggest to our research officer how we want the report to look.

That means, ladies and gentlemen, that there is nothing officially scheduled for this afternoon. There have been a couple of members this morning who have indicated that they'd like Mr McGeown and others to come back this afternoon. I don't know if these gentlemen and lady are available to come back this afternoon. I'm not sure if the members have enough questions—

Mr Perruzza: Point of order, Mr Chairman: Just a quick clarification.

The Chair: Point of order on me informing the committee on what our options are?

Mr Perruzza: No, no, it's not a point of order then, it's a point of clarification, something I didn't understand. You said that there's nothing this afternoon, we come back in April, not before then, right? Is that what you said?

The Chair: No, we have a week's worth of business the week after next.

Mr Perruzza: Oh, I'm sorry.

The Chair: Where we expect full attendance from all the members.

Mr Tilson: You wouldn't miss non-profit housing for the world, would you?

The Chair: Okay, let's get back to the point. We have three hours this afternoon that we could use with these people, if they're able to come back. I'm not sure; I haven't asked them yet. It's up to the committee members whether or not they wish to ask, and if we get to the point where we wish to ask, then we have to find out whether Mr McGeown and appropriate staff are available. I'd like to hear from the committee first.

Mr Duignan: I know Mr Callahan raised a couple of points to our witnesses here this morning, but I think that's the type of information you requested. Correct me if I'm wrong, but I don't think that information would be available from the ministry at this point. We would have to go to the other jurisdictions to get that particular information, and I don't think that would be available by this afternoon. I know from our side we have no further questions. I think it's up to the auditor to take over from this point.

The Chair: Mr Callahan, it was your motion.

Mr Callahan: In light of the clarification I just got, I'm prepared to accept that. I may still be asking that a value-for-money audit be done at some point, when the auditor has that authority.

The Chair: I think that's fair ball. The committee stands adjourned until the week after next and you'll hear from the clerk as to the time and schedule and all other parts of the information you need.

Mr McGeown, I want to thank you and the officials from the ministry who've joined us this morning and given us this information. You've been very elaborate with the information you brought to us, and also very helpful.

The committee adjourned at 1206.

CONTENTS

Thursday 25 February 1993

Review of central collection service	P-449
Management Board Secretariat	P-449
David McGeown, assistant deputy minister, supply and services	
Gary Browne, director, general services branch	
Cecil Henley, manager, central collection service	

STANDING COMMITTEE ON PUBLIC ACCOUNTS

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- *Hayes, Pat (Essex-Kent ND)
Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
- *O'Connor, Larry (Durham-York ND)
Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

*In attendance / présents

Substitutions present / Membres remplaçants présents:

Fletcher, Derek (Guelph ND) for Mr Johnson
Perruzza, Anthony (Downsview ND) for Ms Haeck
Wilson, Jim (Simcoe West/-Ouest PC) for Mr Cousens

Also taking part / Autres participants et participantes:

Peters, Erik, Provincial Auditor

Clerk / Greffière par intérim: Deller, Deborah

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service

CA201
XC21
-P72



P-27

P-27

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Legislative Assembly of Ontario

Second Intercession, 35th Parliament

Official Report of Debates (Hansard)

Tuesday 9 March 1993

Standing committee on public accounts

Review of
Ministry of Housing

Chair: Remo Mancini
Clerk: Tannis Manikel

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Mardi 9 mars 1993

Comité permanent des comptes publics

Vérification du
ministère du Logement

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday 9 March 1993

The committee met at 1005 in room 151.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1992

MINISTRY OF HOUSING

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. Yesterday the committee members were offered a briefing. I understand that the briefing went well and that the information provided was adequate for the members.

Mr Noel Duignan (Halton North): We missed you.

The Chair: Mr Duignan says that he missed me. I missed all of you. I want you to know that. I spent most of the afternoon worrying about each and every one of you and hoping you were all getting along fine. I wanted you to know that.

Today, in open session, we'll be dealing with section 3.12 of the 1992 annual report of the Provincial Auditor, specifically dealing with non-profit housing. Members will recall that during the last session of the Legislature, while we were at our regular Thursday sittings, the committee decided on a number of areas we wanted to follow up in depth. Non-profit housing was one of those areas, particularly as it related to the auditor's report. Following up on the committee's desire to do so, we have made arrangements to have appropriate officials from the Ministry of Housing join us today.

For the committee's information, today's sitting will be until 1 pm this afternoon. We'll adjourn and come back at 3 pm, as I'm told that in the interim the deputy minister has some important meetings to attend. So today is from 10 am to 1 pm. We'll then adjourn and we'll return at 3 pm and sit until 5 pm or thereabouts.

Before the committee today we have the deputy minister, Mr Daniel Burns, and other staff people with him and in the audience. What I'd like to do is introduce Mr Burns to all the committee members. I'd like to welcome you, Mr Burns, to our committee. I would like to ask you, at the appropriate opportunity, to introduce appropriate staff you have with you. You may want some of them to join you if you are going to rely on them on a regular basis. For the Hansard record, we need to know who they are and what they do. The other thing I'd like to ask is whether you have an opening presentation and how long it will be, so that members can organize their thoughts and their morning appropriately. Unless there are any questions—I don't believe there are—I'd like to turn the meeting over to Mr Burns, the Deputy Minister of Housing, and await his presentation.

Mr Daniel Burns: Thank you, Mr Chair. First let me say how much I appreciate the schedule of the committee being altered a bit to accommodate my problem, which arose only yesterday. It's very helpful to me. Before I turn to making a presentation, I will introduce the senior officials

of the ministry who are here with me. From time to time they may join the discussion if the topic touches on areas that they are responsible for and have particular expertise in relation to.

Anne Beaumont is the assistant deputy minister for housing policy and planning, Arnie Temple is the assistant deputy minister for corporate resources and Suzanne Herbert is the assistant deputy minister for housing operations and the chief executive officer of the Ontario Housing Corporation. They are the senior staff of the ministry.

Peter Schafft is the executive director of housing field operations, Toni Farley is from the central region of housing field operations, David Martin is director of program design and Brad Singh is the director of our own audit branch in the Ministry of Housing.

Finally, with me is Patricia Redmond, my own executive assistant, who is going to help with the presentation part of what we would like to do.

I would like to begin with the presentation. My own estimate—I suppose it partly depends on how fast I talk—is that it will take about an hour. We'll cover the background of the program, its administrative design, the principal issues addressed in the audit and the work we are doing on those items.

The Chair: Past experience tells me that the members can't sit still for an hour, meaning that during the course of your presentation they're going to be interested, and I or even the Provincial Auditor may be interested, in asking questions, so I'd like to set the ground rules now with the members if it's okay. Are we going to allow questions during the presentation, and if so, for how long? Are we going to allow other members to do supplementary questions, and if so, is one going to be satisfactory? I don't believe we can go through the whole presentation, if it's an hour long, without members being able to ask questions.

Mr Rosario Marchese (Fort York): I want to suggest that Mr Burns do a presentation first and that we keep our questions till later. If the presentation could be less than one hour, it might be preferable. If not, I would still recommend that he deal with the presentation. Otherwise, as we noted yesterday, we'll be jumping all over the place. That would be my suggestion.

Ms Dianne Poole (Eglinton): Mr Chair, I'd appreciate it if we could have the opportunity to ask questions as we go along. We are in a slightly different situation here in public accounts than we normally are. Normally, when you have a ministry come in, it would be for two to three hours, in which case it's extremely important it have time to go through its entire presentation. I believe we have the ministry officials here for two and a half days, so we certainly do not have to fear running out of time and not getting their points in. I think it's extremely important that, as issues arise, we have a full discussion and then go on to

the next item. It would seem to me it's much more logical to do it that way.

The Chair: My intent was not to allow full discussion during Mr Burns's presentation; my intent was to allow questions for clarification, the odd supplementary. That type of question may be limited to a couple of minutes. My intention was not to allow full discussion during this presentation.

Mr Tilson, do you have any comments?

Mr David Tilson (Dufferin-Peel): You're doing a fine job, Mr Chairman.

The Chair: Thank you. Mr Kormos, then Mr Duignan.

Mr Peter Kormos (Welland-Thorold): I'm simply in that most unnatural position of suggesting that compromise position you spoke of, and that is that the Chair use his discretion to control the length and direction of the comments if they interrupt the deputy minister. It's not difficult.

Mr Duignan: This is to suggest the same, Mr Chairman: Limit it to points of clarification and control the length of—

The Chair: I think it's fair for our witnesses to know how we're going to handle the situation too. I want to make it very clear that we're not going to indulge in full, comprehensive policy questions during this presentation. We're going to ask for points of clarification, maybe a question or two and that's it. Then we're going to move on.

Mr Robert V. Callahan (Brampton South): Just one further item. If this is going to be an hour-long brief, is there a brief available for the members?

The Chair: Is there a written brief we could have so we could follow along with you, Mr Burns?

Mr Burns: We don't have a full version of my remarks, but we will be using some overheads, and I believe we have copies of those things which I'll be touching on as collateral material as we go.

Mr Callahan: We don't have those yet, Mr Chair.

The Chair: We're just checking.

Mr Burns: We just put these together in the last couple of days, so if people would like to follow with those—

The Chair: We'd like to have those distributed before we start. Thank you, Mr Callahan. We'll get started in about 30 seconds.

Mr Callahan: In view of the fact that it's most unusual, at least in my experience, that when a ministry comes before a legislative committee and is going to give a presentation that is not in fact reduced to writing and provided for us, I would ask, in light of what the deputy minister has said, that perhaps we could arrange to have Instant Hansard available certainly tomorrow, if that's possible, so that we will have those comments to refer to in any questioning that might take place.

The Chair: That's a very good suggestion, Mr Callahan. We'll ensure that it takes place: Instant Hansard for tomorrow am.

That should clarify all the matters at this point. Mr Burns, we'll turn the floor over to you, sir.

Mr Burns: Thank you, Mr Chair. I'll try to resist, in my remarks, the temptation to be overly elaborate and leave those things for questions that may come later.

Let me begin by saying that we think the audit of this particular program took place at a very appropriate time in the delivery of non-profit housing in the province of Ontario. Not only were we in the midst of trying to finalize arrangements for the largest program the province had ever administered; we were examining, at the same time, some of the policy questions associated with the program and doing a detailed evaluation of the program's costs, a process known as a program review.

Many of the items the audit touched on, many of the areas the audit findings suggested we should focus on are the same areas that we ourselves had felt were important to focus on as a result of public consultation on the non-profit and cooperative program and of our own internal program review. In fact, the three processes overlapped to a very large extent in terms of what they looked at, what they concluded and what they thought was important.

Before I turn to looking at the situation in 1990-91 and the specific areas that were looked at by the auditor, I want to take a couple of minutes to lay a bit of historical foundation, to place the programs that were audited in a little bit of historical context.

In this country we began fostering what we now call social housing, that is, housing provided by charitable groups or public sector organizations, in 1938 when the Parliament of that day passed the first National Housing Act, reinforcing it in 1945 with the establishment of the Canada Mortgage and Housing Corp. In that period immediately after the war, many municipalities in particular began to try to tackle their own housing problems and create local charitable or municipal housing institutions. Many of you will know that in 1947 the city of Toronto began a renewal process that created what we now know as Regent Park, and by the 1950s, Ottawa, Windsor, Hamilton, Metropolitan Toronto and a number of other municipalities were active in the direct provision of housing.

That locally based process ran until 1964. In 1964 the federal government, as part of a series of reforms related to the welfare state, totally overhauled the National Housing Act and introduced a new funding formula, a new program, a new method of delivering publicly supported housing, a form of housing we now call public housing. From 1964 to 1972 or 1973, that was the national emphasis.

In the province of Ontario, the Ontario Housing Corp was organized very quickly by the government of that day and the province of Ontario was tremendously successful in capturing national funding for the development of that institution, to the point where other provinces actually complained about it quite a lot.

From 1966, when it really got rolling, to 1972 or 1973, when we stopped doing public housing, only in those six years, the Ontario Housing Corp went from a standing start to its current state where it directly owns and operates 88,000 units and funds another 35,000 or 40,000 through collateral programs.

Many of you will know from your own personal history or your experience in this particular field that the success

bred some hostility—coins have two sides—and public housing ran into a few problems by the time we got to the early 1970s. The scale and volume of development evoked local hostility. The amount of money that was required to operate at that scale began to create a problem in the federal world, from its perspective, and there began to be concerns about the model from the point of view of how the communities that were created worked as communities.

The federal government stopped funding public housing as the model in the time of Paul Hellyer and caused a national discussion to take place about what the appropriate alternative would be, a discussion that took place in 1971-72-73 and led to the National Housing Act changes of 1973 which provide the basis for the approaches that have been taken to the provision of publicly supported non-profit and public agency housing since; that is, for the last 20 years. Those principles were:

(1) The communities that were created should be diverse. They should house a spectrum of households by characteristic and by income, a mixed-income approach.

(2) The sponsorship of that form of housing was to move from very large provincial agencies to organizations rooted in community life. The principle was that funding should flow to local government, community organizations and cooperatives which would operate right at the community level.

1020

Those principles have been followed in one way or another by the myriad of programs that have followed since 1973, whether national-provincial partnerships or provincial unilateral programs in this province or elsewhere.

From 1974, after those amendments to the act, until 1986, the support for non-profit and cooperative housing was essentially managed by the federal government. Many provinces had some collateral and support of program activities in place, but they related fundamentally to a federal effort.

Into 1986, the federal government decided in a number of fields, including housing, that it wanted to take a look at whether or not there was an appropriate balance in program administration, delivery and funding between the federal government and the provinces. In the case of housing, in 1986 they entered into a series of agreements with the provinces that made the provinces responsible for the delivery of non-profit cooperative housing to those institutions I alluded to before.

This was an important turning point in Ontario's housing efforts and in the organization of our institutions. The ministry in the province of Ontario, of course, dates from the early 1970s, but fundamentally was organized around the Ontario Housing Corp as an institution; that was its major function. That changed after 1986, with the province assuming responsibility for program delivery in the non-profit and cooperative field. That meant creating a new organizational structure and new administrative practices, creating the ability within the institution to deliver programs.

Slide number one—you've got it in front of you—just shows you what has happened in our delivery relationship with the federal government since 1986, when the global agreement was signed and when there was the major change in program administration and delivery. In 1986

and 1987, the federal government was still cost-sharing with us, as it had before, the delivery of a fair number of new units in the province. You can see that in those two years it was 2,700 each year. It was slowly falling over the 1980s, but then in the last few years that fall has accelerated as the federal government has essentially withdrawn from the funding of additions to the non-profit and cooperative housing stock.

On the provincial side, the same period of time saw the beginnings of what we call unilateral programs; that is, programs the province itself funds wholly and delivers wholly to community housing organizations in the province. In 1986, the first of the province's own unilateral, fully funded and delivered programs was announced, called Project 3000, for 3,000 units. It had a special focus on people who had problems beyond housing: the hard-to-house, the need for support services.

In 1987, a second program, called Project 3600, was announced by the province. It was targeted to two issues felt to be important at that time. One was that some housing markets in the province were heating up and they wanted to balance them a little bit. The second was to begin to compensate for the change in federal funding you could see in that other slide. Administratively, what was going on in the ministry in 1986-87 was taking on the responsibilities that had been launched at the federal level and designing the delivery of two provincial programs of that scale.

The next event in the development of the ministry's delivery of non-profit and cooperative housing programs was the announcement in the spring of 1988 of the Homes Now program. The Homes Now program introduced some substantial administrative challenges to the ministry. First of all, its scale: It's a 30,000-unit program, which meant 10 times larger than the ones from the last two years, but also several times larger than the whole annual administrative effort that had been undertaken before.

Secondly, there was an effort to look at alternative methods of administering the delivery of the program. I think the government of the day decided that at that scale it really had to take a look at some options. As we went through the later parts of 1988 and into 1989, the first thing that happened was a comprehensive examination of the possibility of privatizing the program delivery, a process that took 9 or 10 months. In the interim the ministry operated essentially on the base of resources and practices that it had developed up to that point. In the end, a decision was made not to privatize the program delivery, but to do it with ministry resources.

Along with that a decision was made to try and find ways to minimize the administrative burden on the ministry by changing some of the delivery practices. I'll touch on those in a minute. The delivery resources that the ministry would have to deliver the program were based on minimum compliance; that is, they were based on the minimum administrative practices required for good program delivery and cost-effectiveness, but they were not at the level that the ministry submitted was required for a full set of administrative and backup practices to be in place for the delivery of the program.

When we get to 1989-90, which is just behind the period where the audit took place, just behind the events that the audit was looking at, that was the situation. We were administering the federal-provincial program based on a set of administrative practices agreed with the federal government, and two provincial programs that essentially were using the same format and delivering Homes Now, a very large program, in a somewhat different administrative format and at a scale that the ministry had not dealt with before.

I'm going to turn at this point to actually look a little bit at the stages that a non-profit or cooperative housing project goes through between its initial conception and completion. I don't propose to grind through this in detail, but only to touch on it.

1030

The Vice-Chair (Mr Joseph Cordiano): Order. Mr Tilson, do you have a question?

Mr Tilson: Before you get into that area, Mr Burns, you explained the history very well and I thank you for that. When Homes Now was first introduced by the then Liberal government to now, the administration of Homes Now has not changed. Is that a fair—because you seemed to stop. You stopped then. You said that was the end so I assume, because you stopped, that the administration, the operation of Homes Now essentially remains the same as it was when it was first implemented.

Mr Burns: The program was announced. Then, as I said, there was an assessment done of whether privatization of program delivery was a live option, which took that 9 or 10 months. At the end of that, a decision was made not to do that, but to deliver the program through the ministry, based on the principles I just outlined.

I didn't dwell on it, but there were also decisions made not to deliver it in a way that was identical to the federal-provincial programs before. I'm going to come back to some of the differences later. For instance, what's called the allocation process—that is a process by which the local group gets some level of commitment from the government—was different in Homes Now than it was in the federal-provincial program, partly in order to reduce the administrative burden but partly also to respond, I think, to the need rightly expressed by people in this business of a better planning horizon than they were getting from the other program practices.

Mr Tilson: My question really was that Homes Now was implemented in what? Was it 1987?

Mr Burns: It began in 1988 and the program was closed December 31, 1991; that is, fully delivered at that point.

Mr Tilson: But the processes to non-profit housing as started in 1988, essentially, with the exception of different needs, is the same administration, the same process?

Mr Burns: With the exception of the allocation process, most of the processes are very similar or identical.

I could show you eight different program designs. That would, I think, be a waste of your time. I'm only going to show you one, which is the federal-provincial program. It contains all the main steps that we go through looking at a

particular project. Essentially, they are the steps that are followed for any particular project proposal.

Ms Poole: A point of clarification: Just before you leave the chart on the non-profit programs status, you ended at P10,000, even though in the budget of last year there was an announcement of 20,000 units with the Jobs Ontario Homes program. I would take that to mean that between the budget almost a year ago and when this chart was compiled at the end of January 1993, no units were allocated, no units were committed and no units were delivered under that budget announcement of a year ago.

Mr Burns: I'm going to come to the administrative design principles of the new program, because they reflect a lot of the thinking we've been going through here, a little later in my presentation. The delivery status is close to what you just said. I believe the minister announced the first group some time in the last few days.

The Vice-Chair: Perhaps we could go on then, and apart from points of clarification, we'll continue with the presentation.

Mr Burns: Okay. What we're looking at here are the stages that are followed by a project using the federal-provincial process. In April of a particular year, a call is issued inviting proposals for what is normally called the federal-provincial program of the following year's number. So in April 1993, you would issue a call for the federal-provincial program of 1994. The application package has to include a whole set of backup documents related to the proposed sponsoring group, the group they hope to serve, its incorporation, its schedule of development and all the documents you'd need to evaluate a proposal.

It goes through an evaluation process in our regional offices, where it's assessed against a series of criteria which are summarized on that chart, and against a back-drop of broad regional allocations of the available amount of funding.

We get to the summer, and successful groups in that evaluation process are told they have initial selection status. At that point we've actually issued selection letters to somewhat more projects than are in the total funding envelope, because in this process not every proposal survives to the end. There is some attrition as you go along.

We then reach the fall of the first year of this cycle. This is essentially an 18-month process. At that point, confirmation of site and the details of the development strategy are what are focused on: provincial approvals, design, any other issues that have to get dealt with locally, such as site contamination, correlation of the development proposal with other proposals and so on.

If you survive that process, the next level of commitment that a proposal gets occurs in the January of the year of the program, if I can put it that way. So for the one we're in now, the federal-provincial 1994, we get to next January or February. We'll be confirming people who have survived the next stage of evaluation. They can then proceed to do the next round of development work, which is the detailed development work required for a building permit and the final arrangements for the construction of a project.

At this point, proponents are deeply locked with the technical sides of our assessments for a look at the proposed design of the building, the proposed approach to construction—

The Vice-Chair: On a point of clarification, Mr Tilson.

Mr Tilson: You're going through the process. Will you be telling us how you arrive at that point—in other words, how you arrive at whether a particular municipality or a particular area is going to receive an allocation? So far you're talking about the project; you've chosen a site. But before you choose a site, you've got to determine how you're going to do that.

Mr Burns: We start with a regional planning base, if you like, for program delivery based on regions. For that we use a model that the federal government developed for the federal-provincial program, and we've continued to use it, as most other provinces do, up to this point. I'm going to get to a point where I say that we don't want to use it in the future because we believe it needs to be revised in the Ontario context, but we've used the federal-provincial model for program delivery in the sense of how much in each region.

Mr Tilson: Somewhere in your presentation, Mr Burns, I would like, and I'm certain other members of this committee would like, an elaboration of the process as to—

Mr Burns: Of that model?

Mr Tilson: Well, what we'd like to know is how you arrive at choosing a particular area, a particular municipality or a particular region that is going to have non-profit development.

Mr Burns: At this stage, I think if it's of interest to the committee to delve into that in more depth, we'll make a separate, detailed presentation of that in a second. But just to use eastern Ontario as an example, the regions for planning program delivery are determined between ourselves and the federal government. Eastern Ontario is a region, so the starting point is that some level of program delivery is allocated to eastern Ontario, and then proposals are invited from within that region.

Mr Tilson: I think we're going to need more than that. Let's just take the example in the press that came up. Mr Chairman, I know you want to restrict us on questions, but—

The Vice-Chair: We are pressed for time, so one final clarification.

1040

Mr Tilson: Just before we get to the area that he's getting into now, I think it's very important to know—for example, Burlington—I think it was Burlington—just made an announcement of a substantial non-profit housing development. Somewhere in your presentation, whether it's now or later, I hope you would explain to us how you would choose, for example, Burlington or any other municipality.

Interjection.

Mr Tilson: If it's the same old rules, they need to be changed.

The Vice-Chair: Order, please. If I may, in the interest of saving some time, perhaps we could have a separate presentation within that overall presentation in which you will address that specifically.

Mr Burns: We will do that at an appropriate point.

The Vice-Chair: Mr Callahan, point of clarification.

Mr Callahan: The question that was being asked was about how you prioritize. That's the first step, I gather. Is that the thing that's done by the regional office? It prioritizes proposals and recommends projects?

Mr Burns: I think Mr Tilson was one step before that, which was how we set that up. Let's say it was the provincial program of 3,000 units. How did we start off by saying, for example, that 500 of that was going to be in eastern Ontario? To get to that 500, we use a measure of housing need, regionalized, that's been developed essentially in the federal-provincial context for national application.

Mr Callahan: Is this application we're going through the one the feds used and you mirror-imaged it?

Mr Burns: Yes.

Mr Callahan: If in fact that is the case, can I conclude as we go through this that in every application every one of these steps was followed? I have to ask that because I recall, I think it was in some of the briefings we had, that there were problems that arose after the fact, after you'd concluded a contract, that the land was contaminated and there had been no provision for the cleanup of that soil. I can't believe that would happen if you'd followed the application to the letter.

The Vice-Chair: I'm going to advise that we move on, because really what we're getting into is a great deal of detail. We're going to be pressed for time in terms of the presentation, so I would appreciate it if we could go on and then ask detailed questions after we're finished with the overall presentation.

Mr Burns: At the appropriate time, I'll be happy to address the question that Mr Callahan's put on the table.

The Vice-Chair: Okay. Perhaps we can carry on.

Mr Burns: The approval process we just very briefly looked at is the one that's used for all the federal-provincial program delivery and was used for the 3,000- and 3,600-unit programs. For Homes Now, there are three important differences.

The first one is that we didn't hold proponents to the 18-month decision cycle. That is, if you didn't fully complete all the work by December 31 of the second year, you wouldn't get a commitment under the federal-provincial process; you'd have to reapply at a future date. But Homes Now was designed as a four-year delivery program, without that cutoff date in the middle of it but rather at the back end.

Second, there was no first-stage screening, of the type I just described, for Homes Now, only the second and third stages.

Third, established, capable producers were given a broad allocation envelope to work with. For example, under Homes Now the city of Toronto's non-profit housing company, Cityhome, in the first announcements got three or four projects approved and a general, broad allocation

of 700 units. It could then, within that envelope, propose particular projects for approval. It allowed the major operators in the non-profit and co-op field a framework to plan program delivery.

Homes Now had those three significant distinctions from the others in how decisions got made about who was funded. On the operating side, the structure of funding and budgeting arrangements is quite similar among all of the programs.

I want to take a little look now at the capital cost side of a non-profit housing project so we're all familiar with that. Before I do, it may be clear to everyone, particularly after yesterday's discussion, how this works, but I just want to say to everyone that this is funded differently from most public programs you look at. The reason is this: The capital financing associated with the project is borrowed in the marketplace during the process of development and finally ends up being a mortgage on the real property. We, the province of Ontario and the federal government, do not provide that capital, the mortgage, at the end of the day. What we provide each year are funds to cooperatives and non-profits to ensure that they can provide access to low-income households and to bridge the cost difference between market rents and economic rents. We are not providing the mortgage financing. That's provided by the private sector.

The Vice-Chair: One point of clarification I have: That mortgage financing is guaranteed by the government, however.

Mr Burns: In effect, yes, because the mortgage is given because the non-profit or cooperative has an operating agreement with the province.

Mr Callahan: Can I have a point of clarification on that as well, Mr Chair?

The Vice-Chair: A short point of clarification.

Mr Callahan: You asked, and I'm just asking another one. We had heard during briefings that there was some rush to get in under a window of opportunity of money from the feds. Are you saying that's not capital money; that's operating?

Mr Burns: You may recall, on the program delivery slides, that when you get to the fall of the second year, you get to the point where people have to make their final arrangements and we have to issue our final commitments, and the feds close their programs every December 31. What happens each November and December all over Canada is that an assessment is done of whether all the projects that are in some stage of development can be committed in that six-week period. Every year the feds do a national reshuffling in November and December, taking funding commitments away from provinces that can't fully commit.

Mr Callahan: But it's operating you're talking about, not capital.

Mr Burns: Annual dollars; that's right. It's not the actual mortgage; it's the funding commitment to support. We get into a shuffle every December because, if projects in this province are in a state to get committed, the approach that's been taken is to try and capture a little extra

funding if there are other provinces that haven't been able to fully commit their programs.

Mr Tilson: Mr Chairman, just on that same point.

The Vice-Chair: Very briefly.

Mr Tilson: You also front-end any costs before the mortgaging.

Mr Burns: We provide some interim financing, yes.

Mr Tilson: Interim financing. And the guarantee resources are through what source? Canada pension?

Mr Burns: A part of Homes Now was funded using capital derived from the Canada pension plan, but that was done just at the height of the boom; before and after, we rely on conventional lenders in the marketplace: life insurance companies, trust companies, banks.

On the slide you see a breakdown of the capital costs of one particular family project in Metropolitan Toronto from 1991. This is not intended to indicate what the average costs are across the whole program but just to give you a snapshot of what the capital costs are for a particular project.

Construction and land are the largest components. The other elements are carrying costs during construction, fees, the GST, organizational expenses for organizing the development.

The next one is the same kind of pie chart, only a seniors' project, also in Metro Toronto and also from 1991. The breakdown is similar, but that gives you a sense of what the main components are for the capital costs of a project.

Now we're going to take a quick look at the structure of operating costs.

The Vice-Chair: Just on a quick point of clarification—

Mr Tilson: Just a short one.

The Vice-Chair: Is the total cost per unit on the bottom of this slide for a two-bedroom unit?

Mr Burns: This is a family project. In 1991, for family projects in Metro, the dominant unit size was two bedrooms, but there likely would be threes and maybe some ones in it as well. This one is very likely to be mostly two-bedrooms.

The Vice-Chair: So you don't have a breakdown of that in any more detail?

Mr Burns: I'm sure we do; I just don't have it right this second. But will make a note of that and answer it.

This slide shows the basic operating costs of a non-profit cooperative. This one happens to be drawn from a very broad sample of projects. A little over 60% is dealing with the mortgage, debt service, and then you've got the rest of it on the right: municipal taxes, administration, insurance, materials and services, contingency, utilities, vacancy, allowance against vacancy rates, labour costs, and funding to be placed in the replacement reserve, which is an account that's held against major investment that may be needed in the future.

Now we're just going to talk a little about the market conditions that surrounded program delivery in the 1988-91 period, because through the period, as the auditor noted and as we've noted in our documents, we went from a very inflationary real estate market to a very deflationary real

estate market right in the middle of the program delivery, and that had consequences for administrative practices and for costs.

This slide shows the pattern of total housing starts in the province. You can see the shape of the boom.

Ms Poole: On a point of order, Mr Chairman: Does the ministry have a chart similar to that, but which would show just rental starts, comparing non-profit and—

Mr Burns: We don't have a chart with us.

Ms Poole: Could you provide something like that?

Mr Burns: I don't know how long it would take, but we can break down ownership starts, private rental, non-profit rental.

Ms Poole: That's what I think would be a very good indicator, if we had the non-profit rental versus the private sector rental to see who's building what.

Mr Burns: Okay. I'll try very hard to get you that in chart form in the course of our discussions this week.

This just takes a number of municipalities in the province and compares the vacancy rate in 1988, when the boom was on, to October of last year, when it wasn't.

This is the shape of change in resale house prices through the same period of time, 1989, and it has declined since.

There's the shape of construction prices in the apartment sector: Again, a strongly rising market followed by a decline, but a decline which itself changed shape as it went along.

Mr Tilson: On a point of order, Mr Chairman: Those are private apartments, for construction of private apartments? What does that include?

Mr Burns: This is construction costs per square foot for all apartments.

Mr Tilson: Which would include non-profit housing?

Mr Burns: Yes.

Mr Tilson: Do you have a breakdown of what the average construction cost would be of strictly private apartments, excluding non-profit housing?

Mr Burns: I suppose we could do it by deduction, because we have our own costs, which show a similar shape but are below it, because condominium construction costs went through a much more exaggerated curve. But I'm not sure we've actually got it broken down that way.

Mr Tilson: I suspect a large portion of that is non-profit housing.

Mr Burns: Certainly by the time you get to January 1991 to January 1992, that's true in apartment construction, but in 1989 and 1990, the great bulk of apartment construction was condominiums. I think the shape of that change will be shown if we can get the charts Ms Poole just asked for.

The non-profit program: We're just going to show you three or four slides that track the evolution of the delivery of the non-profit programs through this same 1988-91 period, which were examined in the audit and which experienced these dramatic changes in external conditions. This is just a summary, if you like, of the movement of program delivery through the phases of allocation, commitment and then to operation and annual subsidy payments.

These are the annual expenditures by the ministry in support of operating non-profits and cooperatives. Obviously, from what I said before about scale of programs and growth, this number has grown substantially.

This is a slide that looks forward to the consequences of the completion of the delivery of the programs we are now administering. I should say that compared to the forecast you would have seen in the last year or two, our current forecasts show considerably reduced total expenditures two or three years out from what we were forecasting before. We've got significant reductions in construction costs, interest rates, land costs and, particularly in the last 18 months, we've applied quite strong constraints on the growth of operating costs. These all reflect in the significant reduction in the level of expenditure we're forecasting for three or four years out.

It's hard to get at the workload consequences of not just this kind of program delivery but what happens when you actually have close to 2,000 operating non-profits and cooperatives and you have to manage a relationship with them. We've got a couple of charts just to give you a sense of the change in volumes externally, of transactions that we're involved in, compared to the changes that have been made in the base administrative cost of the ministry. This chart compares the growth and the total volume of transfers to the—

Mr Callahan: Mr Chairman, on a point of order: I don't believe we've got that chart in there.

The Vice-Chair: About four pages from the back.

Mr Callahan: Oh, here it is. Okay, fine.

The Vice-Chair: Carry on, then.

Mr Burns: Of course, this is not a perfect measure of the relationship between our base ministry costs and our transactions, but it's one picture of it.

1100

I just want to divert for a second to place our programmatic expenditures in non-profit and corporate housing in the broader context of total provincial government expenditure on housing, which is what this chart shows. This is 1991-92. The next one is 1992-93: non-profit housing subsidies and support, \$600 million; public housing, \$200 million; shelter allowances paid by the Ministry of Community and Social Services, \$2.2 billion; tax credits of various sorts, roughly another \$1 billion. In that particular year, I think it was about \$3.5 billion in total expenditures on housing in all its dimensions, of which \$600 million was support for non-profit and \$200 million support for public housing.

Mr Kormos: Excuse me, Chair. I'm looking at 1991-92 and then 1992-93. I wonder if there are any obvious explanations for some of the changes in those respective percentages.

Mr Burns: The two items that change the most are: program support for non-profits and cooperatives, and that's principally the impact of Homes Now projects being completed, opened and eligible for annual support; and on the other side, the continuing dramatic increase in social assistance case load, which increases the amount of money

the province is spending on shelter benefits to the level that you see there, to well over \$2 billion.

The Vice-Chair: A point of clarification, Ms Poole?

Ms Poole: Just a point of clarification on these two charts: We see in 1991-92, non-profit housing, \$428 million; and on the 1992-93 chart, non-profit housing, \$605 million. I'm looking at those two figures. This is not including the subsidies as well as the capital? Is this the whole ball of wax?

Mr Burns: These are our annual expenditures. As I explained earlier, the capital is borrowed from the private sector and eventually rolled into a mortgage, so that never appears. It's not a public expenditure. We do not raise and spend that money.

Ms Poole: So all those funds that came out of the Canada pension fund, for instance, don't show up here.

Mr Burns: That's right.

Ms Poole: So this is not really a true picture of what is being spent, total capital and operating in the non-profit sector, because a very major component of that has been taken out. Do you have figures available for that?

Mr Burns: It's a complete picture of the annual expenditures of the province as they're carried on the accounts of the province to support housing in various forms. The capital side does not appear in the expenditure accounts of the province.

Ms Poole: But because it's borrowed from the Canada pension plan, for instance, is that not deferring the showing up of that expenditure, but it doesn't mean the money hasn't been spent?

Mr Burns: Again, that's not an annual expenditure of the province. There was a one-time arrangement made to take about \$1.3 billion of Canada pension plan funds—

Ms Poole: For the Homes Now.

Mr Burns: —to use it to mortgage properties, because for a while it was more cost-effective than going to the marketplace.

Mr Callahan: Is this bridge financing?

Mr Burns: No. This is for the permanent financing.

The Vice-Chair: If I might make a suggestion, perhaps we'll deal with this as well in a separate section, because I'm sure there are quite a number of questions with regard to that.

I have Mr Duignan on a brief point of clarification.

Mr Duignan: It's on the same subject, Mr Chair.

The Vice-Chair: Then I think we should deal with it later.

Mr Burns: Okay. I'll come back to the capital side at your convenience.

For 1990-91, we undertook what we call a program review of the non-profit co-op programs, looking for ways to make the program more cost-effective. At the same time, the government completed its assessment of the consultation process on the policy basis, if you like, of a non-profit co-op program it had undertaken in 1991.

The policy review, the program review and the audit have all provided really valuable foundation material for

the design of the new program Ms Poole alluded to before. You'll see later in the discussion that we've made considerable changes already in program administration for the new program, and we are in the middle of a program that will result in more changes later this year.

I think, in the interests of time, because I've been moving a little slower than I'd hoped, and we've been diverted a little bit, I'm going to truncate some of the—I was going to touch a little bit on the important content of consultation and the program review for administration practices. I don't think I'm going to do that by walking through all the elements. Perhaps I should just say that there were important parts of both those processes that have looked at administrative practices and, along with the audit, have caused us to reflect on a change and continue to work on some of the basic administrative practices in the program.

The Vice-Chair: Perhaps I might suggest that if there are questions regarding that area, we may come back to it again as one of the separate subjects that you may wish to address a little more at length this afternoon or tomorrow.

Mr Burns: Yes, thank you.

The Vice-Chair: I thank you for allowing some time for members to ask questions now. I think we'll begin our rotation.

Mr Burns: I'm sorry, Mr Chairman; I'm not totally done.

The Vice-Chair: Oh, you've not completed; I'm sorry.

Mr Burns: I just cut the middle out. I think it's important to touch specifically on some of the main items in the auditor's report and to end my history lesson and tour of administrative practices.

The Vice-Chair: I'm sorry for attempting to cut you off like that.

Mr Burns: I appreciate your reasons for wanting to hustle me along, so I will move along.

The Vice-Chair: It's difficult to get members to sit quietly for this long, but they've been very cooperative.

Mr Burns: Yes, I appreciate that.

The Vice-Chair: I think we can carry on from here.

Mr Burns: I'm going to turn at this point to the audit itself. The audit was extensive and touched on a wide range of administrative practices within the program. I don't think it would be helpful at this point for me to walk through every single one of those. What I'd rather do is talk a little bit about the context of the time that the audit was undertaken and then touch on a few of the principal findings for which we think our comments will be particularly valuable.

You can tell from everything I've said up to now that 1990 and 1991 were absolutely extraordinary years in the Ministry of Housing, delivering the largest volume of program delivery that the ministry has ever seen and the largest volume since 1970 in the province at large at a time when the market conditions we were dealing with were undergoing rapid change. The boom peaked; it turned. At the time it turned, the government introduced the GST and we had a whole series of changes in our environment at the same time when our volumes had never been higher.

I think I said before that Homes Now was closed out on December 31, 1991. So were the other two programs I touched on earlier, P-3000 and P-3600. At the time the audit was undertaken, we were working towards closing out completion of those programs, at the very tail end of them.

I want to touch a little bit on the comments that the auditors made on whether adequate need-and-demand studies were done for each and every project that got financial support from the ministry. I think there are three sides to this I want to touch on.

1110

First, it is true that this part of the assessment process was not required in every single case. The ministry made a decision that in some marketplaces the case for rental supply increase had been made a number of times and did not have to be made over and over again. For example, a general case had been made in the city of Toronto by a number of people about conditions in the city of Toronto. It then did not require every single application in 1988 and 1989 to Homes Now to repeat that. So that observation is valid and that was the reason for it.

Second, the auditors observed that even applying the fair-share model or the assessment-of-need model that the feds use—

Mr Callahan: You've indicated that one of the reasons was because of Metro Toronto. Were there any other reasons why it wasn't done—for instance, by direction of the minister?

Mr Burns: Not to my knowledge. That's several ministers and several deputies ago, and at that moment in time I was on the other side of the process making applications. Clearly, as a matter of administrative practice, for some markets you didn't have to resubmit and resubmit need and demand. If you were in a market that had 0.1% vacancy and growing waiting lists for social housing providers, there was a period of time when you didn't have to do that.

Mr Callahan: Okay, fine.

Mr Burns: Second, the auditor looked at a number of particular markets, compared them to the federal-provincial fair-share model I alluded to before and concluded on the evidence he had, rightly, that we had seemed to commit more projects in those places than would have been called for by the model. We have since gone back and looked at the data that we provided to the auditor, and we provided inaccurate information about those markets. We have recalculated based on actuals and provided that material to the auditor and to you.

Mr Tilson: Just on this process of not reviewing each particular area each time—let's say you're in Toronto and you say you don't want to do it over and over—does that policy still exist?

Mr Burns: No.

The Acting Chair (Mr Robert V. Callahan): That's a simple answer. You may continue, unless you've got a follow-up on it, Mr Tilson, and I don't know how you could.

Mr Burns: In fact, Mr Tilson, I should go further. In the federal-provincial model at the moment, under the

federal-provincial framework, there are a number of marketplaces where no applications will even be accepted.

Mr Tilson: I'm glad you're saying that, because that was one of the major slams of the auditor against what you were doing. The auditor was very critical of the fact that you were almost willy-nilly in processing these applications.

What you have just said now isn't what the Provincial Auditor has said in his report, and to simply say no, I think we'll need more explanation than that.

Mr Burns: I was about to go on and say a couple of more things.

The Acting Chair: I just thought N-O was a short way of ending that issue, but go ahead.

Mr Tilson: No way, Mr Chairman.

Mr Burns: It implied a follow-up question about what happened. The auditor was looking at projects that got their first level of commitment in 1988 and 1989, because he was looking at projects that were under construction or close to commitment in 1990 and 1991. So most of those people got their allocation commitments in very different market conditions than we now face, and a lot of them from Homes Now. In Homes Now there were different allocation practices. I mentioned those to you earlier. For example, if you give the city of Toronto a bulk allocation of 700, or Peel Non-Profit Housing Corp a bulk allocation of—I think it got 700 as well.

The Acting Chair: A good organization, Peel Non-Profit.

Mr Burns: It is. Then within that bulk, the ministry did not require every single subproject to redo a need assessment. A judgement had been made that a large chunk would be delivered in Peel or in the city of Toronto or in the city of Ottawa and things operated within that framework. The question is, in 1991, as market conditions changed, did we change our practices? The answer to that question is yes, we did, because there were no more situations where people didn't have to demonstrate need when you got to the new program delivery.

Secondly, the application of the federal-provincial model: When we got to this year's federal-provincial program, I think there are 30 municipalities we didn't accept applications from for any program that we were dealing with in the last eight or nine months.

Mr Tilson: Why?

Mr Burns: Because the market conditions in those communities were such that there was not a case for adding the kind of supply that the program delivers.

The Acting Chair: You can get back to this at a later stage, Mr Tilson. I think, in fairness to the other members of the committee, we're going to move on. Would you like to continue, Mr Burns?

Mr Burns: We went back and recalculated, based on real numbers. The result of that is that in the assessment made in the report using the federal model, we had dramatically overallocated in some markets. That inaccuracy is rooted in our numbers, not in anything the auditor did.

Third, however, we think the point the auditor made in the report, that there's something less than fully adequate

about the federal-provincial model and the need-and-demand process we've been using, is a fair comment. For the new program, we are trying to ensure that we've got a better technique for assessing local market conditions and for need-and-demand assessments that are submitted by proponents than we've had in the past.

If I can put it this way, we're trying to create a made-in-Ontario methodology and not use what is a very blunt instrument, the federal-provincial methodology, which applies on a very large scale. In relation to that part of the auditor's report, we accept the fundamental point that this is a part of practice that requires some revision or change.

The second area that is discussed in the auditor's report that I want to touch on is the one that has to do with vacancy rates and income integration. This is a tough problem. Income integration and a diverse tenant population is a fundamental goal of every non-profit program—has been since the beginning—but over time, things have shifted.

The first non-profit program in that history I gave you had 25% of its inhabitants' households in poverty and 75% at market, and over the last 15 years essentially we've reversed that, so you've got a quarter or a third market tenants and the rest are households in poverty or working-poor households.

Some level of vacancy is a feature of the rental housing market. In fact, in its largest sense, it's normally the object of government policy to try and create significant vacancy in every rental market. That's what disciplines rents. It creates a situation that gives consumers choice in the marketplace, and we do have a number of markets in the province with quite significant vacancy rates now, and that applies to some parts of our stock.

Now, what do you do about that? The non-profit renters in the market sector are going to have to do what private folks do, and that is address their terms of leasing, address their rent levels. But in some cases they've come and said, "We'd like to raise the number of households in poverty in our projects." Our practice at the ministry has been to look at those situations. In some cases, there's a case for it, even within the framework of diversity and mix.

Just to name a particular example, some of the folks who built 15 years ago, who have by today's standards relatively low proportions of households in poverty, the province has allowed them to raise the number of households that have rent-geared-to-income and in fact set a couple of programs to assist in that process. There's a balancing act here, there's an issue here, and I think the auditor's quite right to point at it and say, "This is something you ought to be pretty careful about," because it raises issues of financial stability in the program as well as issues of tenant mix and program objective.

1120

The third item in the auditor's report I want to touch on briefly is titled "Expected Decline in Costs Not Realized." Put in its essentials, it's the proposition that, as the market turned, we didn't respond to it quickly enough because we weren't well enough organized or well enough informed to track that market as it changed. The auditor in his report used a particular sampling and methodology to try and get at what that cost might be. We had quite a discussion last

year about how to get at this issue during the actual audit itself, and when the audit was prepared and we wrote to the auditor, we raised again some of the issues about getting at this measurement.

What we've been able to do this winter is go back to the actuals with the projects we were looking at, as opposed to trying to measure indirectly through a sample and a surrogate measure, and while we believe that there was some slippage on our side as the market conditions changed, it was not huge. That graph just shows the difference in conclusions that you can reach if you use actuals as opposed to the surrogate measures of last year. The audit conclusion was that, using the methods applied at that time, there was \$200 million in capital costs that we could have avoided if we'd used different practices. Our view is that, based on actuals, that number is actually under \$20 million.

However, having said that, I want to explicitly acknowledge the importance of the issues raised by the auditor. They were also raised in the program review about our capital cost control system. The non-profit program delivery, federally, provincially and our own, has relied on a very blunt measure called the maximum unit price to control capital costs. It's a hard thing to devise a fair, general capital cost control. It's a hard thing to have it move with the market. In 1987 and 1988 there were markets where you just couldn't build under the capital cost control, and then, as the market turns, you have to respond to that.

In response to, I think, a lot of legitimate questions about the way we deal with capital cost controls, including those raised in the audit, we're going to redesign them for the new program, so that they're much more based on cost components and on tracking real costs and less on one number applied to very broad marketplaces, the kind of number we've used in the past.

While I'm here to say that I don't think that the number in the audit report is a fair representation of what happened, because of the use of the methodology and the sampling that was done at the time, the fundamental point is that the capital cost controls we use are a blunt instrument and are not moving well with the marketplace. We accept that. We think it's valid and we do have to overhaul the way we do that part of our business.

The audit raised some questions about the best use of highest appraisal practice. Our view is that this is a generally accepted business practice. But we have gone back, as a result of its being asked, and ensured that the appropriate training, if it isn't in place for our staff, is in place and that we revisit all of our basic audit practices.

A similar comment applies to the question of procurement methods, whether you use full tenders or turnkeys or modified turnkeys. There are important questions of business practice in that which are part of our ongoing work plan.

The audit comments on a number of our practices, and the relation to operating non-profits and co-ops indicates that the absence of fully executed operating agreements for the large number of non-profits and co-ops is a problem. It is a problem. It's a problem we are addressing. It indicates there is a backlog in reviewing budgets, financial statements and final capital cost statements for projects, and

certainly there was a very substantial backlog in some areas when the audit was undertaken. We have since reduced that backlog very substantially and are in the middle of a program which I expect will eliminate it within this year.

Audit comments that it's sometimes hard to understand the variations. There's quite a wide variation in operating co-ops and non-profits on the elements of operating costs. That's a perfectly valid observation. It was made in the consultation count process and the program review process as well, and we are embarking on an exercise this year to try to establish fundamental norms for operations across the whole program.

I think I'm going to skip a little bit more and draw my remarks to a conclusion. I've taken a bit more time than I'd promised at the beginning, but I do want to say a couple of things in conclusion.

The administrative challenge to the ministry was to deliver an enormous increase in program activity in a challenging market and with modest resources. In that context the ministry has sought to be efficient, to be effective, to be cost-effective. We've drawn on federal-provincial practice and tried to improve it in places where we could.

We believe, and I said this at the beginning, that last year, 1991, was a very good year to do a big assessment of where we were, the condition of our practices, and to ensure that what we learned from all of that was fed into the design of the new program. In that context the work that the auditor did and the material that was provided to us as a result of the auditor's work has been incredibly helpful. Audits at their best bring real changes in practice, and this one is doing precisely that in our practices.

Looking ahead a little bit, we've rolled a lot of the work that was needed to re-evaluate what we were doing at the front end of the program into the first proposal call under the program that was announced in the budget that Ms Poole alluded to. More of it will be reflected in the proposal call that's coming in the next few weeks, and over the course of this year we will complete the work needed to overhaul the operating relationships, which also need work, as everyone has agreed and as has been pointed out in the audit.

Finally, I just want to say, on behalf of the ministry, that relationship we've had with the auditor through this process has been exceptionally good. It was not an easy time to audit what we were doing, given our workloads. When we came, in the last number of weeks, to want to examine some of the base documents and do some other work, the relationship remained tremendously cooperative, so I'd also like to finish by thanking the auditor not just for the work that was done but for the way in which it was done.

At that point, Mr Chair, I'd like to conclude my opening remarks. I'd be delighted to go on and talk about subjects that are of interest to members of the committee for as long as people would like.

The Chair: Mr Burns, thank you for your presentation. We'll start a 20-minute round. Who's speaking for the official opposition? Mr Callahan.

Mr Callahan: I'd like to just start off, and then my other colleagues, I'm sure, will have questions. The one

thing that concerns me, Mr Burns, and I'm trying to find it in my material here—you've got a policy, or there was a policy in place and I understand it's still in place, because as of 1992 it was reissued and we have a copy of it here, called Highest and Best Use. I note that this is the one we've been given. It has April 12 on it, so I assume it's still the policy of the government to pay on the basis of the highest and best use.

1130

One can understand how this might have been acceptable during the hot real estate market, but that's been over for some considerable period of time, and one can understand how you might have to add a little more to the pot to try to get the land to develop the housing for this to look after the people because of the low vacancy rates. But I can't for the life of me understand why this would continue to be the policy of the government.

The reason I say that is that it is my understanding that under the Expropriations Act if the city or some governmental body comes along and expropriates my house, under the specific legislation it provides that you can seek compensation for the highest and best use. But it seems to me to be absolutely incredible that one would get a piece of land to put a non-profit building on by a developer or whomever and would allow that price to be generated by the fact that it might be able to have built on it a density much higher than is proposed when you know for a fact that it has probably been zoned by the local municipality for a specific density and to pay a higher price. It's like my going out into the marketplace buying a car and agreeing to pay twice the value of the car.

Can you explain to me why the ministry continues to have this policy in place? As I say, it could be understood in the 1980s, probably up as far as 1988, 1989 or 1990, but to continue it afterwards is absolutely looney tunes and I as a taxpayer, let alone a representative of my riding, find it absolutely unbelievable that this policy could be continued.

Mr Burns: The practice is standard appraisal practice. I take it from your line of remarks that you believe current conditions of highest and best use would produce values that diverge substantially from the marketplace. Reality is that what we've accepted in the program has tracked the shape of market conditions. The appraisals we're now seeing, using highest and best use methodology, are dramatically down from where they were three or four years ago, as you've mentioned.

Mr Callahan: Are you suggesting to me, Mr Burns, that if there is a willing buyer and a willing vendor, the willing vendor can put the price of that piece of property at the highest? Let's say, for instance, that I'm selling my house, which is on a residential lot. I could conceivably say, "We could rip down the house and we could put up a fourplex or we could rip down the house and, if we've got a large enough lot, we could put up a high-rise."

When the government comes to me and wants to buy my land for a non-profit building, you would pay me—assuming it was a large enough lot that I could put up a high-rise, even though I had a house on it and I was living in it—for the highest value that land could possibly—I

mean, I wonder what would happen if you bought a 200-acre farm. Would you give them the price that perhaps a—I can't think of the highest value that could be put on that.

Mr Burns: It's not our practice to speculate against the planning frameworks of local governments, if that's your question.

Mr Callahan: Well, no, but isn't that what you're doing? In some of these cases I presume that there were pieces of vacant land that probably hadn't even been rezoned yet. Would that be correct?

Mr Burns: In some cases that's right.

Mr Callahan: All right. In fact, would these offers be made conditional upon rezoning being able to take place?

Mr Burns: Sometimes they would be conditional offers, sometimes they would be parcels owned by the sponsor, a church or a municipality, and at some point in the process you have to come to a settlement on the value of the property. We use standard appraisal practices for that.

The appraisal has to be done by someone who's licensed in that particular line of business.

Mr Callahan: Let me take the case where you find a piece of land that's in an acceptable area of the city to build non-profit housing and you want to buy it. There's no zoning on it yet. You go in and make an offer which is not conditional upon it being rezoned. In that case, do you pay the price at the highest and best use? In other words, do you pay a price for that assuming that it has already been rezoned?

Mr Burns: Well, market conditions change over time in terms of what people are willing to risk in relation to that particular process.

Mr Callahan: That's not my question. I thought it was quite clear. My question is, if you wanted a piece of land for a non-profit building, and it hadn't been zoned yet and you didn't make it a condition of the offer, would you offer to buy that land as though it had been rezoned?

Mr Burns: You're asking me to make a marketplace judgment. If I were looking at it, if the official plan were in place and the path from the current zoning to a higher zoning was perfectly clear in the plan, personally I'd take those kinds of things into consideration. But we're not looking at whether I'm buying land or not. We're looking at whether, as a matter of administrative practice, we require a professional appraisal report before we confirm land cost components to particular projects. That's what we require. We require them based on industry practice.

Mr Callahan: My colleague wants to ask a supplementary, but before that, I want to draw your attention to something, and I don't know whether there's any relationship to this. In the auditor's report, it indicates that a non-profit group paid \$2.85 million for less than two acres of land, based on both an outside and a ministry appraisal, yet the land had been purchased two weeks earlier by a related sponsoring group for \$250,000 per acre. This indicates that the sponsoring group realized a \$2.3-million profit. Is this what we get for doing it on the basis of highest and best use? Has that been changed? Is that ever going to happen

again, or is that a once-in-a-lifetime proposition to create a millionaire?

Mr Burns: The instance you're pointing to was raised by the auditor. It's important to understand the timing of events related to that particular file. I'm going to ask Ms Farley to walk through that particular issue for you.

Ms Toni Farley: Before I walk you through that, maybe we'll have a short discussion about highest and best use. What it simply does is determines what the property can be used for. If I'm a land owner, I'm going to want to realize as much money as I possibly can from the sale of that piece of property; I'm there as a private land owner to make money. Therefore, the concept of highest and best use is to determine what that piece of land can be used for.

Having determined what it can be used for, then you use numerous appraisal techniques to determine value. Once we've decided that this piece of land can bear a multi-unit residential building—you know, a four-storey, walk-up apartment—then you say, "How much am I prepared to pay for that?" Then you look at the market comparison approach. You look at the sale prices of similar pieces of land. You can look at the replacement costs to do that. So there are different appraisal techniques.

1140

Mr Callahan: Is that always done?

Ms Farley: Absolutely.

Mr Callahan: It wasn't done in this case. According to the auditor, they did a search of titles around the two-acre, \$2.85 million one, and found it was \$300,000 maximum per acre.

Ms Farley: You were dealing with two pieces of property, and at some point in time they were both unzoned. They were vacant land. The price of raw land was going at \$4,000 or \$5,000 unit an acre. Our non-profit sponsor paid for land which was rezoned to bear a multi-unit residential building.

Mr Callahan: Are you saying the price increased within two weeks. Is that what you're trying to tell me on this specific—

Ms Farley: No. They optioned the site several years before.

Mr Callahan: Well, that's not what the auditor says. The auditor says that the land had been purchased two weeks earlier, by a related sponsoring group, for \$250,000 per acre. To take it to what you're saying about the policy of the ministry, that in addition to this highest and best use, it would investigate recent sales within the area of that property, it was not done in this case, in any event, because the auditor said, "We conducted a title search of similar land in the surrounding area, including an adjacent parcel of land"—adjacent, right next door—"and noted that all previous recent sales were under \$300,000 per acre."

Ms Farley: But you're dealing with an apple and an orange. You and I make a deal—

Mr Callahan: This seems like apples and apples to me.

Ms Farley: No. You and I make a deal two or three years prior that I'm going to buy your vacant land from

you at \$5,000 or whatever an acre, and I'm going to assume the responsibility of getting that site developed, rezoned: attending OMB hearings, whatever it takes to get it rezoned. I simply have an option with you that if I am successful in doing this, I will then pay you what we had agreed to, okay? But then I'm going to turn around, because I got it rezoned etc, and sell it to my non-profit group for what its market value is as a zoned site that can bear a certain density.

Mr Callahan: Is that what happened here?

Ms Farley: Absolutely. Based on the auditor's comment, I went to an independent appraisal firm and I had them review the entire matter. In fact, I have that report.

Mr Callahan: There's no response, which I find interesting, from the ministry. There's not even a response saying you're going to stop doing it; I presume you're not going to. There's no mention of that at all. It says, "In future, staff will be trained to ensure that all ministry appraisals include the examination of recent land transactions"—I presume that was not being done, as you responded that way—"and events pertaining to the site within the catchment area of the subject site."

You've told us that you did do examinations, yet the ministry has responded to the auditor's comments on this specific project by saying that in future it will do this, so I presume you didn't do it before.

Ms Farley: No, we have always paid fair market value on a property.

The Chair: Bob, you have six minutes left.

Mr Callahan: I think you've been overly generous, quite frankly. My colleague wants to pursue a supplementary and we only have about six minutes left, so I'm going to waive in favour of my colleague.

Ms Poole: My colleague Mr Cordiano wants some time, so I'm just going to ask one quick follow-up on the highest and best use appraisal method. I can really understand that method being used in a boom economy, because you didn't have any choice, the ministry had no choice. But if you're talking about a declining market like we've had the last couple of years, to me it doesn't make any sense. To me it means that you're paying twice for your zoning. You're paying the vendor the price of rezoned land, if that land is eligible for rezoning, and second, you're then going to pay all the costs: the architectural costs, the legal costs, the cost of going to the OMB and actually doing the rezoning.

Ms Farley: No. This is where you distinguish between situations. A turnkey situation is where we negotiate a contract, where you come to me and say, "Look, Toni, I have a piece of land and I have the right zoning to put up a building." All I pay for is simply the value of that; I don't pay for all of your costs. But if you come to me as a non-profit group and say, "Toni, there is a piece of vacant land; it's worth \$500,000," we will then determine its value on the basis of its use as vacant land, that yes, this is what it's worth, this is what the comparables indicate that the site is worth. Then I will cover your costs of taking it through that process. I don't pay twice for that. I only pay once.

Ms Poole: But if it's highest and best use appraisal, then you would be paying for what could be put up on that, the potential.

Ms Farley: No, no. If you come to me and say, "Toni, I have a piece of vacant land and I want to develop housing on it, and you are prepared to pay for that now," then we value that based on its current use. Then we pay for your costs of taking it through the municipal rezoning process, the legal fees etc.

Mr Burns: Even if the appraiser said, "I think highest and best use is something that's not in the zoning but is in the plan," or maybe even something that's not in the plan, they have to discount all the costs of getting from here to there before they get to a number. Highest and best use does not roll straight into the number as if it were all in place. Highest and best use is almost like a planning or a land economics general construct; there are steps to be taken between that and a dollar figure.

Mr Joseph Cordiano (Lawrence): Mr Chairman, how much time is left?

The Chair: Approximately four and a half minutes.

Mr Cordiano: My colleague has indicated that we are dealing with a different economic climate. Everyone understands that, I hope; certainly it has largely been made clear to all of us in government by now that we are dealing in different economic times.

As a result of that, it has also been noted that with respect to construction costs, with respect to the marketplace and what's available out there, in fact you could purchase buildings or units that have already been constructed much more cheaply than you could start construction on them. As a result of the fact that the wanted units are at least available out there in existing buildings, could you indicate to me what you have done, as a matter of policy in terms of the entire ministry, to purchase or acquire buildings that are already constructed and completed? How many of those units have been purchased that way, going back to 1990, 1991 and 1992? Has there been a policy to acquire units that are already completed?

Mr Burns: If you wish to purchase existing rental property, there have been times when that was an eligible project. You could propose to do that and receive funding.

Mr Cordiano: I'm asking whether it has been done, and to what extent. What are the numbers involved?

Mr Burns: It has been done over the last number of years.

Mr Cordiano: To what extent? What kinds of numbers are we looking at compared to the construction of new units?

Mr Burns: I don't think I can answer that question right this minute, but I'll get you an answer in the course of the discussion. It's a relatively modest proportion of the total program delivery, if that's your question.

Mr Cordiano: Well, that's what I was going to suggest. Obviously, the point I'm trying to make here is that you're continuing to build these units at prices which far exceed the marketplace price according to anyone's standard, yet we could go out and acquire these units much

more cheaply. Is the question of what's more efficient not involved in the decision-making, that it would be more efficient to acquire units that are already existing out there than to actually go out and start new projects?

Mr Burns: It's been true for 15 years that buying existing apartments would be cheaper than building new ones.

Mr Cordiano: No, I would contradict you on that, because during the boom years you couldn't acquire anything out there. What was being built, in fact, was only being built by governments. Condominiums were being built by private developers, but they couldn't build them fast enough because they were being sold. I think the economic times have changed rather dramatically, and what's out there and available is much more significant than what was out there and available during the boom period.

Mr Burns: There were purchases made through the non-profit programs even in the boom years, but I guess the policy choice that's embedded in all these non-profit programs, and before that, the public housing programs, had to do with the balance between helping people and creating new rental supply. All these programs from the beginning have related to that kind of policy objective.

1150

Mr Cordiano: No, I understand that, but we're talking about—

Mr Burns: You're raising a question of broad policy choices and not program administration.

The Chair: Do you have a very short question, Mr Cordiano? Your time has expired.

Mr Cordiano: Yes. Now you're talking about creating a buffer. Obviously there are units out there which are in excess of what's required, perhaps, and is that why you are now referring to the creation of a buffer of rental housing stock, because in fact you don't have all of these units being filled when you're building them now? I don't quite understand what it is that you're referring to when you say you're going to have a buffer.

Mr Burns: Did I say "buffer"? I don't think I said "buffer."

Mr Cordiano: I don't know if you've said that, but we certainly have response to the auditor's comments. Your minister said that.

The Chair: Thank you. Mr Tilson, 20 minutes.

Mr Tilson: I'd like to continue to some extent with the policy of purchasing land, which I appreciate of course is done by a non-profit housing corporation but in fact approved by the ministry. It can't take place without the ministry's approval.

The auditor has talked about in one of his reports—and it really is contradicting statements you made, with due respect. It had to do with a section called "Risky Land Purchases." They talked about the ministry's desire to expedite the approval of projects in desirable areas. In other words, it's going to get back to my initial question as to, how are some areas favoured over other areas? How do we arrive at what particular areas are going to get non-profit housing, whether it's a municipality or a region? I have yet to hear that process, and I'm sure in due course you will

tell us that, but I would first of all like you to comment on some remarks that were made by the Provincial Auditor which I will read to you:

"The ministry's desire to expedite the approval of projects in desirable areas where there was limited available land meant that approvals to purchase the land were sometimes given before the soil and other tests had been thoroughly done."

In other words, there's a number of things that have to be done before we arrive at a price. Somehow, in the urge to acquire these sites, a number of things weren't taken into consideration, and one of them was soil and other tests.

The auditor went on to say that:

"Such tests are normal business practice, as the land is worth significantly less if, for instance, the soil is found to be contaminated. In fact, in three of the 40 projects reviewed, the soil was subsequently found to be significantly contaminated after the land had already been purchased and the costs of removing the contaminated soil were \$900,000, \$600,000 and \$100,000 respectively. We noted in one project, which was opposed by the local municipality"—and this is in Toronto—"because the site was located on a 100-year-old floodplain but which the ministry approved without conducting a proper assessment despite the risk of flood damage, in the spring of 1991, shortly after completion, about one third of units were flooded for three months."

I guess I'm following along the same line of questioning of Mr Callahan as to how you arrive at prices when obviously, if I were a private developer purchasing land at that amount of money, I would do a number of things, and I might make the offer conditional upon a number of things. I wouldn't close the deal until a number of things had occurred. I wouldn't get into that situation. When you're spending that kind of money and haven't done soil tests, that's inexcusable. Private enterprise wouldn't do it. Why would the Ministry of Housing do it?

Mr Burns: Mr Tilson, you've raised a number of important questions, so I think I'd like to touch on them in order. First, it's important to remember that by and large the acquisitions we're talking about here took place in 1988-89, and there are two things about that era that I want to touch on.

First, in the delivery of Homes Now, one of the big concerns in designing program delivery was whether or not suitable sites could be found to deliver the program. It's one of the reasons why there was a choice made to do the bulk allocation method that I alluded to before, but it also led to the practice of guaranteeing purchase sites in some particularly hot markets. That was alluded to in the auditor's report as well.

Between 1988-89 and now business practice with relation to contamination has changed very substantially, and the last proposition you made, which was that no prudent purchaser would operate without fully assessing environmental conditions and taking those into account in price and timing, is absolutely accurate. The program guidelines we've issued for this program, the ones we issued in December, have absolutely strict and clear business practice

requirements that are virtually identical to what you just mentioned.

But back in 1988 and 1989 business practices on those issues were not as clear or well established, and it was not only non-profit sponsors but private sector folks who got caught by the changes in environmental norms and in the array of remediation options available to deal with a particular condition. I worked in a context where we were in that marketplace. We changed our business practices twice in this period we're just talking about here to accommodate the fact that there were changes in standards and, even more difficult, changes in what was acceptable as remediation.

In the 1970s and early 1980s, a lot of times you could stabilize conditions on a site and isolate them and leave it at that. Now the norm is that you must fully deal with the conditions you find there. As you well know, you often have to take stuff away or even apply special treatment practices on site.

There were some sites purchased without knowing what would be needed to deal with those environmental practices as they changed, and they cost us some money in the program, but the ministry, along with everyone else who operates in some relation to the land market, has revised its practices as we've gone along. We've now put in place a set of business practice requirements that are essentially identical to what you concluded your remarks with.

Mr Tilson: This isn't the only place in the auditor's report where the auditor speaks of almost an urgency to acquire a particular site. In the section under "Competitive Procurement Practices," on pages 131 and 132, they talk about how the ministry is so determined to acquire certain sites that it overlooks a number of things. In this specific example, again, I guess, to be fair I should really read part of it. Pages 131 and on to 132 of the auditor's report say:

"In 1990 many developers who had speculated on the housing and condominium boom up to 1989 were left holding land and/or completed buildings that they could not sell. As a result, many developers submitted their projects for non-profit housing. With the developers being squeezed by interest and the other carrying costs, the climate was ripe for the ministry and project sponsors to get very competitive prices from competing developers.

"Accordingly"—and this is the auditor speaking—"we expected that competitive procurement practices used in the building industry such as public, invitational and pre-qualification tenders would have been fully utilized. However, we noted that to accelerate the process"—and again those words are used throughout the auditor's comment—"the ministry and groups often negotiated with those developers who submitted proposals rather than providing an equal opportunity to all qualified developers.

"To assess the impact of this approach, we converted all"—and then they have a table we can all see. But the important thing is the next paragraph that comes after that table, which compares the central, eastern and southern regions.

"If all three regions had been able to obtain their non-competitively-acquired projects at unit prices comparable to those acquired competitively, the capital cost savings would have been approximately \$64 million." That's

rather an astounding statement. Can you comment on that specific point that was raised by the auditor?

1200

Mr Burns: Again, Mr Tilson, you've asked a chain of questions, so I think it's important to touch on each of the elements.

I think I said a couple of times in my remarks that the delivery of Homes Now, which is a very large program, took place in very difficult conditions and a number of steps were taken to try to ensure that the program could get delivered in reasonable time. One was the change in allocation practices; the other was the guaranteeing of certain purchases, which I've alluded to.

The look for alternative business practice in the actual acquisition and construction of a site was another one of those elements. It was particularly tough in 1988-89 and into 1990 to find the good-quality sites that were the objective of the program.

As the market turned, a number of good-quality sites that had been planned for condominium development became available. As you mentioned, that's quite true and we began to see people making proposals to have non-profit or cooperative housing instead of their former ambitions.

It's a different kind of business practice to deal with a turnkey or a modified turnkey than with a tender. That's quite true and you have to apply a different set of disciplines.

Mr Tilson: Not really. You're trying to find the best price available. That's what you're trying to do.

Mr Burns: I don't disagree with that, within the context of the policy goals you've got, but you actually go about it in a different way. It's a negotiation process rather than a bidding one.

The proposition that modified turnkeys are or were, at least in the Metro or the central region area, substantially more expensive than tendered projects, which is at the root, if you like, of the assessment you just quoted from—we believe is a partial kind of assessment; partly the use again, as I mentioned before when I was talking about the \$200 million—a sampling and analogy method was used to try and reach the general number, not the actuals.

We've tried to go back and look at all the actuals since we kind of expected we might be asked this question here today. Unfortunately, the full assessment of the actuals is not here so I'm just going to make some general comments about the situation.

When you're comparing those two techniques in Metro Toronto, it is very important that you take account of the fact that there was a different distribution of sites geographically between the two procurement techniques, a different mix of units and a different time in the marketplace. We think, as we did in the other capital cost comment, that there may well have been situations where it was more expensive to use a modified turnkey, but I don't think, in general, across the whole program, all the business practices, that we would agree that the capital cost penalty was of the order mentioned there and when we wrote back to the auditor last July, that's what we said.

Having said that, there are issues of business practice here as well. Doing that type of business as efficiently as

possible is an important objective and we've made some reconsideration of those practices and there are some changes on the way for the new program.

Mr Tilson: Mr Burns, I guess all I can say is that the auditor has simply found it inexcusable that you negotiated—the ministry, not you—specifically with certain developers, to use the words of the auditor, as opposed to “providing an equal opportunity to all qualified developers.”

I'm asking this question because it's going to be a trend of questioning that I'm going to be asking throughout these proceedings, almost a suggestion of favouritism. I get into that with consultants, with engineers, with lawyers and indeed with developers. The suggestion has come forward that there are individuals who have made a tremendous amount of profit in this whole process at the expense of the very people we're trying to help, and this is only the first of many examples. Instead of making these decisions available to all or these opportunities available to all, you have only zeroed in on several specific developers, as opposed to the Provincial Auditor's words, “providing an equal opportunity to all qualified developers.”

Mr Burns: I think it's important, Mr Tilson, to disentangle a little bit what each of the parties does in this process, one of the reasons why I wanted to walk through the stages in a project approval.

We don't issue tenders for the construction of projects.

Mr Tilson: But you approve them.

Mr Burns: Non-profit sponsors issue them.

Mr Tilson: No, Mr Burns, I can't let you say that because you know perfectly well that the developer cannot build on a particular site without approval from the ministry. You know that.

Mr Burns: But that approval comes in relation to an application or a proposal made by a non-profit sponsor. Non-profit sponsors may own a site. It may be the Catholic church, in which case they can go ahead and proceed on that basis; they may not.

Mr Tilson: But you have the right to say which developer can be used and which developer cannot be used.

Mr Burns: No, we don't. That's absolutely wrong. We have the capacity to assess the proposal made by the non-profit sponsor.

Mr Tilson: I can tell you, Mr Burns, I was on a non-profit housing corporation and that specific process went through. The Ministry of Housing had to approve a specific developer. It was put forward by the non-profit housing corporation.

Mr Burns: We have to approve the business transaction at the end of the day, but it is the sponsor who proposes.

Mr Tilson: You could reject that specific developer.

Mr Burns: On a business basis.

Mr Tilson: On whatever basis you wish, because that's the direct criticism—

Mr Burns: We do reject applications, or we say that they must be modified before they can be acceptable, but that's based on program practice and business practice.

Mr Tilson: Mr Burns, that's the very point, though, that the Provincial Auditor is saying that if you feel that a non-profit housing corporation is not making this available to all, you have that ability, you hold the purse. A non-profit housing corporation is incorporated, it has absolutely zip, you set the thing up. I'm simply saying—I believe it's a legitimate request, particularly when we're looking at a cost saving that would have been \$64 million—you have the capabilities of making that saving, and the Provincial Auditor has come forward saying that you didn't do that, so that's happened.

We're looking into the future. Having read the Provincial Auditor's report—and there has been a series of reports from the draft to a report in June, which you've had an opportunity to look at; it goes back for some period of time, I think April 1992 was the first opportunity you had looking at the draft report, to stop this from happening in the future—what actions are you taking?

Mr Burns: At the risk of repeating a little bit what I just said, our assessment of the situation that we're in, and that's embodied in the letter we sent to the auditor about this issue, was that we don't think the scale and the dollar value attached to the question which is reached by the use of the methods that were used last year is accurate or fair as a total representation—one.

Two, we don't make judgements about who non-profit corporations, cooperative corporations do business with. That's not what we're doing. What we make judgements about is whether the proposals they make meet the program's objectives and are credible in terms of tests that have to be applied to cost, timing and quality of the proposal.

1210

Third, every business practice is capable of being improved, and I think philosophically, on program administration, we believe in continuous improvement as an approach to business practice. There are things about modified turnkeys and turnkeys that can be better done, and there are requirements in our last proposal call that are clearer and I guess some people out there thought are tougher than they have been in the past. So we are, without question, trying to make that business practice better and as best we can make it, but we're not making judgements in the ministry about who non-profits and cooperatives do business with.

The Chair: Thank you. We have Miss Harrington, then Mr Marchese, then Mr Duignan.

Mr Duignan: And Mr Kormos.

The Chair: He seems to always work his way to the top all the time. Mr Kormos.

Mr Kormos: Thank you. I'm especially concerned about the auditor's comments about overallocation. He cited three areas, one of them of course being St Catharines-Niagara. I don't want to be overly parochial, but the comments about St Catharines-Niagara cause me concern for a whole pile of reasons, especially when your letter of March 5 would refute the auditor's conclusions.

Let's talk specifically about St Catharines-Niagara.

The auditor based his conclusions on the data he received from various ministry offices, and the inference to be drawn from your letter is that these data were incorrect. What happened?

Mr Burns: I think I'm going to let Miss Farley explain the mechanics of it, but perhaps just to comment on the language of all this, our letter was not intended to refute the auditor. If we were refuting anybody, we were refuting ourselves. He relied on our data and that's where the errors were, but I think it is worth looking a little bit at that circumstance, so I'll ask Miss Farley to look at St Catharines-Niagara specifically.

Ms Farley: When I saw the auditor's report, I was quite surprised. Being at that end of the business and actually being responsible for recommending allocations, I was surprised at that. So I went back and I found the original document the auditors used and, sure enough, there were the numbers, and I was still unsatisfied.

Then I undertook a very simple exercise. What the auditors looked at was a consolidated report which added up all the individual totals for the individual client groups: families, seniors, singles, special needs. I did a check; I went back and I added up numbers on the same report and they didn't add up to the totals which were on the consolidated. I apologize, but we can't add. It was that simple.

I then investigated further, thinking they were still not appearing correctly, so I questioned some of our staff in terms of what is included in those numbers. What I was able to determine was that according to an agreement we had with the CMHC office, in the early years, in 1986, 1987 and 1988, the rolled-up numbers also included projects which were cancelled. For any number of reasons we can lose a project—it may not get its rezoning; the group may lose interest—so we replace those units. But the rolled-up numbers also included the replaced units and those units that were cancelled. In the latter years, in 1990 and 1991, we didn't. It was a pure figure, ie, only those projects that actually proceeded. I went back and rechecked for that. I took out, in the early years, the projects that were cancelled. So what you have is in fact actual planned production.

Mr Kormos: That begs the question that the people who provided this information were aware that it was the auditor and should have been reasonably aware of what the reasons were for wanting those data.

Ms Farley: It was a bound report. Until I went back and looked at the information, we were not aware that it was not accurate.

Mr Kormos: So this was the first time that the Ministry of Housing has been audited in this particular area of it?

Ms Farley: That's correct. This is our first audit.

Mr Kormos: In how many years of operation?

Ms Farley: In my time with the ministry since 1979 we have never been audited. The program has never been audited.

Mr Kormos: Not only by the Provincial Auditor, but what about internal audits?

Ms Farley: There have been periodic reviews of certain aspects of the program, but not a full-fledged audit in terms of our operation and our compliance to policies and procedures.

Mr Kormos: So there have been some problems in maintaining and reporting or documenting data?

Ms Farley: No. I don't understand, I'm sorry.

Mr Kormos: The auditor relied upon the data that had been recorded.

Ms Farley: That's correct.

Mr Kormos: And they didn't, from your position, provide an accurate view of what was actually happening or what had actually happened.

Ms Farley: That's correct. The data did not provide that.

Mr Kormos: So there had been a problem in recording and maintaining data.

Ms Farley: Exactly. That's correct.

Mr Kormos: And this goes all the way back to 1979.

Ms Farley: For this one particular section, yes.

Mr Kormos: In this instance it goes back to 1986, because that's what the auditor looked at. But there's nothing to suggest that things would be any different in the years prior.

Ms Farley: No. I don't think you can make a generalized statement of that nature in terms of everything we do. This particular report that they used was inaccurate.

Mr Kormos: You say the auditor reported an over-allocation of, what, 15% for Niagara region.

Ms Farley: Yes. In actual fact it is a 7% variance, which is not at all unusual if you look at the nature of our program. There is the fair share allocation model, which decrees that so many units go into a particular area, St Catharines-Niagara. That's the first-level geographical distribution. But because the program is very much community based, you then have to rely on groups to come forward in those particular areas, and then to come forward with the exact project and with the exact number of units serving the exact client group. You're not going to get that; you're always going to have a variance.

Mr Kormos: It's because the fair share allocation formula is but a rough guideline.

Ms Farley: It's the first cut in terms of what the areas of greatest need are. So you target your units in that area, and then you rely on groups to come forward with projects in those areas. It could very well be that you may not get a group coming forward.

Mr Kormos: In which case you'd underallocate it.

Ms Farley: Then you underallocate a particular area, but you don't want to lose, so then you look to another area that could absorb more need and you redistribute the units. That goes on during the course of the year. So at the end of the day, you could very well end up with, and we do end up with, situations where you don't have that perfect fit.

The Chair: Thank you. We've got a long list.

Mr Kormos: I understand that. At 7% beyond the fair share allocation, in fact Niagara region isn't overallocated; at 7%, it's well within the guidelines. Isn't that fair to say?

Ms Farley: Absolutely true.

Ms Margaret H. Harrington (Niagara Falls): I would really like to continue on in that vein as well with regard to the Niagara region.

First of all, I want to say how timely and important this is, having the auditor and the ministry looking at this. The delivery of non-profit housing is so important to this government that we want it done very efficiently. From what we've just looked at, the whole overview of housing, the fact that non-profit housing is approximately 15% of the provincial dollars spent on housing shows that it's part of a much larger program of housing. I think we've seen that there is definitely a need for change, both from what the ministry has said and what the auditor has said.

It's very interesting to hear you say that the MUP, maximum unit price, is a blunt instrument, and I'm looking forward to hearing how that will change. I think that's key, as well as even how we treat the community groups out there that are putting up the housing. That's a very important process because it's so much red tape for some of these groups, and it has got to be done more efficiently.

1220

There are two areas that I was concerned with. First of all, from your answers to Mr Kormos, I think you've made it very clear that the allocations to various parts of the province—the figure of the 15%, what they call over-allocation, to the fair share model in St Catharines-Niagara was obviously wrong, and that it's 7%. I want to get again a confirmation from you whether or not that 7% is significant, because Niagara has the highest unemployment at the present time. People are very much in desperate situations and to have affordable housing there is so important. Would you say that 7% is significant?

Mr Burns: I think, as Ms Farley said, 7% is within the norms of the distribution of programs as we've done them, and if you want to express it in absolute terms, it's 47 units in a sort of group of communities which have almost a million people. So we're not talking about something that's going to, by itself, disrupt local market conditions.

Ms Harrington: It's something that I think we will have to be looking at further. The auditor, I believe, has made it clear that need-and-demand studies are going to be very important in the future. That's the direction in which he is pointing for the ministry. In fact, last night at city council in Niagara Falls they dealt with the need, whether or not there was a need at this time for further non-profit housing. So that is going to be a very important issue, I believe, across the province.

The other item I want to touch on is the unit cost and the model the auditor has used, which I call a two-bedroom equivalent model. Can you explain whether or not that's a valid procedure to evaluate the cost of a unit, an equivalent two-bedroom model?

Mr Burns: I think I'd go back just to start to touch again on what I said at the beginning about that particular thing. In order to try and track whether we've been able to

respond to market conditions, at the time the assessment was done, a sample was used and then an effort was made to standardize from that sample a set of numbers that might give you a picture of the whole program. We believed at the time that this was not going to be an easy bridge, from the sample to the actuals, and said so in our letter back. What we've been able to do since, very much with the help of the auditor's staff, is to try and use actual numbers to get at whether our costs track the change in market conditions, and we've found, using actuals, that we were fairly close to market conditions. The variance is not enormous.

The two-bedroom equivalent as the bridge between the sample and the universe: I can understand why people try to construct a simple bridge, but it ended up predicting something which was at significant variance from actuals. It's not a technique that I've seen in real estate or housing assessments before, so I think one of the things we may wish to do in relation to future audits, with our own internal auditors and with the audit staff, is try and find a methodology that would bridge from samples to the whole on a fairly consistent basis. I think that's worth doing as a follow-up to all of this.

Ms Harrington: Would you be able at this particular time to state what the cost would be in your estimation?

Mr Burns: Using that particular methodology, the estimate was that for the part of the program that was being looked at, the capital costs were \$200 million higher than would have been predicted if you had followed market conditions. Our assessment is that that number is something under \$20 million. That's for a capital cost of about \$1.6 billion; that's the universe we're looking at. Even within that \$20 million, there was a great deal of uncertainty, and it took a while to shake down the impact of the GST, which began in the middle of this particular year. We've now plotted monthly, as opposed to using annual numbers, how our commitments lined up with changes in the construction price index, and the shape of the curve. They're pretty close.

The Chair: Mr Duignan and, if there's any time left, Mr Marchese.

Mr Duignan: I want to go back to the earlier presentation, the whole issue around capital cost, what the sponsoring group does to obtain a mortgage. I want to dispel a myth, in fact, that it's the government that gives the money for the capital cost. In fact, it's the non-profit group that goes out to the market and secures the mortgage on the market, a term they call "tender the lender"—in fact, the call for a tender on the lowest interest rate in the mortgage. Isn't that correct? Is that still a practice?

Mr Burns: Several different practices have been used over the years to have those mortgages arranged. The mortgages are on the individual properties and therefore are the obligation of the non-profit and cooperative. For a while we used a very decentralized system, but about two years ago, in a cost-effectiveness exercise essentially, a borrowing practice was put together where in effect proposals or tenders are issued for mortgaging at a particular period of time. We've been receiving very competitive

prices for mortgaging in the whole non-profit sector for the last two years. In fact, I think for part of that time we've actually been doing better than the federal system in terms of interest rates.

But to go back to your first point, the capital costs in the end are reflected in a mortgage. The mortgage is held by the individual non-profit or cooperative. It is their obligation to deal with the Bank of Nova Scotia, Canada Life, First Line Trust or whoever it happens to be who's arranged the financing. They in turn have with us an operating arrangement.

Mr Duignan: Part of the capital cost, I think, is a fee for CMHC for the insurance fee to cover the insurance costs of that mortgage, which is roughly about 3%?

Mr Burns: All our stuff is operated within CMHC's NHA mortgage insurance program.

Mr Duignan: So in fact it's really no different with a home owner who secures his mortgage on the CMHC. It's the same principle.

Mr Burns: In those terms, it's similar. In fact, I think we get better interest rates than a lot of home owners.

Mr Duignan: Very briefly now, I'll get on this other topic, another point during the next couple of days. The auditor makes reference to the effect of contaminated sites and costs. He particularly zeroed in on a couple of particular sites. From my reading of the issue, it appears the issue is more than the extent of contamination that was found out after the purchase. I was wanting to know what the ministry is doing to address this issue so the purchase price of land would at least be able to reflect the contamination. There has been some tightening up of the rules.

Mr Burns: This is a ground similar to that raised by Mr Tilson, and I said that in the proposal call that we issued for the beginning of the program that was announced in the last budget we'd put in a very different set of rules and business practices. Those rules include not just testing but an acceptance by the vendor of the property that it's his or her obligation to deal with the conditions before there is any final transfer to a non-profit or cooperative sponsor, which is a far tougher practice than was the industry norm even four or five years ago, let alone the norm in the program.

Mr Duignan: Part of the process is that you have to do soil tests. How many bore samples do you require on a test of a site?

Mr Burns: You're now one step past me.

Ms Farley: Normally, we require five bore holes on a vacant piece of land, three of which have to be under where the building will be located. That's the minimum requirement. We also require a site history, and that helps us determine whether more bore holes would be required. If in fact the results of the initial core samples indicate really problematic soils, then we can do more sampling.

1230

Mr Duignan: I would at this point yield to Mr Marchese and I will follow up later.

The Chair: There isn't any time left for Mr Marchese, but I'm sure the committee will allow him to ask one question.

Mr Marchese: Thank you, Mr Chair. I'll follow up on one question that Mrs Harrington asked on the methodology used to determine the developmental costs. You're not disputing the fact that the auditor used the two-bedroom equivalent as a way of determining those costs?

Mr Burns: No.

Mr Marchese: The other comment that was made was that the unit cost, if you use one single unit cost, also does not determine correctly the developmental costs either. Is that correct?

Mr Burns: I'm having trouble following your question here, to be frank.

Mr Marchese: At the moment, it seems to me there's no one methodology at all to determine the developmental cost, and any method that's used so far yields a different number, perhaps an incorrect number. Why not actually use—which is what I thought you said—the actual project, which gives a combination of single units and two-bedroom units, and determine the cost instead of playing around with methodology that yields a very inaccurate conclusion?

Mr Burns: We had doubts about the two-bedroom methodology last year and, as I said to you, when we had a chance to use actuals, we've gone from that. I think we should use actuals whenever you have them. They were not fully available at the time the audit was done, so it's perfectly reasonable to try to erect some methodology in that circumstance.

We tried just to see whether using a similar analogy using a one-bedroom equivalent would produce a number that was closer to the end. It didn't, so I guess that just reinforces my earlier comment that this particular form of trying to bridge from a sample to the actuals is not a good predictor. However, I think it's worth trying to create a good predictor because it's a heck of a lot simpler to track costs if you can use a sample and predict from it than trying to use the universe, especially when the universe is this large. So I think one of the things we would like to do is to try to work a little bit and, if it's possible, to have some more dialogue with the auditor about that. I'd like to try to get a better methodology for that one. Both those didn't work, the two-bedroom or one-bedroom.

The Chair: I have one question for the witnesses before we start our final round for this morning. I had just taken a moment to kind of refresh my memory. I looked over what was in the auditor's report and I kind of looked over what you had provided us dated March 5. Actually, Mr Kormos's questions twiggged my memory on this and that's why I looked at it.

I take you to page 6 of your letter, under (d) at the top, where you admit that the ministry's database "was both inadequate and contained mathematical errors," and those are your own words.

Mr Burns: Yes.

The Chair: Are we to assume that this information would not have been forthcoming to the auditor had we not had these hearings?

Mr Burns: At some point we would have needed to revisit our data collection on that side, because it's connected to our need to get better at modelling and predicting local market conditions and some of the things that Mr Tilson was asking about earlier. We wouldn't likely have done it right at this moment in time without the process of preparing to come to a public discussion. I think that's a fair comment.

The Chair: So it could have been a year from now or two years from now?

Mr Burns: It might have been a year from now if it hadn't been for our need to go back and say, "Okay, let's prepare to make a presentation."

The Chair: It could have been two years from now?

Mr Burns: I don't think it would have been that long, because we do have to answer the question of a made-in-Ontario local assessment process now, not a year from now.

The Chair: How is it possible that this slipped through when you had eight weeks to respond to the auditor? As a matter of fact, just in reviewing the information that was there, there was absolutely no comment made on the over-allocation of units to areas with high vacancy rates, and it's an eight-week response time, which I understand is twice the norm.

Mr Burns: As Ms Farley said, when you look at the first cut, which was the same material the auditor used, you have to actually go behind it. We didn't do that until we began to get ready for this particular discussion.

The Chair: You'll agree with me that it's pretty sloppy.

Mr Burns: I've acknowledged that several times already.

The Chair: Okay, thank you. Ms Poole, 10 minutes.

Ms Poole: Obviously, not enough time. I'd like to look a number of things. First of all, you mentioned the Jobs Ontario Homes fund later, after I asked you why it wasn't on the chart when your chart went to the end of January 1993. In the budget, this government said it was going to create 2,400 jobs in this fiscal year, 1992-93, through the Jobs Ontario Homes fund. Yet when looking at what is in the report and your comments earlier, it becomes obvious that with three weeks left in the fiscal year and the proposals just going out, they are not going to create any jobs. Was the Ministry of Housing consulted before the budget was put together promising 2,400 jobs coming out of the 20,000-unit Jobs Ontario Homes fund program?

Mr Burns: Yes.

Ms Poole: Did you estimate at that time that 2,400 jobs would result in this fiscal year from that program?

Mr Burns: Yes, we did, based on the assumption that the consideration of program design for this program, which was to be founded on the results of the consultation process that ended up in the document Consultation

Counts, would finish and that the program design changes we would make would be relatively small compared to previous programs. In the end, that consultation process took somewhat longer and the program design process has led to more changes in the program than we forecast back in February 1992 or whenever it was that we would have been asked about job forecast. Frankly, part of that also has to do with some of the issues raised in the audit report and our interest in reflecting some of those things in program design.

So the first proposal call for that program, as you know, came out about December 1. It would have had to have been out several months earlier than that to have a significant level of construction in this fiscal. The first round are all projects that are very close to construction, so the group that is just being announced now will be under construction very quickly.

But that's the origin of our forecast and the reasons for the change.

Ms Poole: At the time of the budget last year, I said it was a scam, that the announcement was made for PR, that jobs would not be created in the fiscal year, certainly not in the calendar year. Given the time lag that you look at, even with an expedited process, I think it was totally unrealistic to expect that we would get jobs resulting from that program when it was announced in the budget last year. I stand by that. I accept your explanation that there were extenuating circumstances and that you were reviewing the program, which certainly needed to be done, but I think the government got its bang for the buck. They announced a program and said, "Look at the wonderful things we're doing for job creation," knowing full well that delivering 2,400 jobs in the fiscal year was highly unlikely, if not impossible.

I'd like to go on to some of the costing, because one of the criticisms by the auditor has been the comparison of the private sector and the non-profit sector in the delivery of the program. The auditor, I believe, said that in 1991 a two-bedroom apartment of 800 square feet delivered by the private sector would be approximately \$106,000 on average. I'll just check with the auditor. Is that the correct figure?

Mr Erik Peters: Yes, \$106,000. Page 130.

1240

Ms Poole: Yes, at the top of page 130 in the auditor's report. They're using a ministry study that said an 800-square-foot, two-bedroom apartment that cost \$156,000 in 1989 could be built for less than \$106,000 in 1991, including a 20% profit for the developer.

I've done a little bit of independent homework on this. I've talked to a number of private developers who have been putting up private sector rental units. They have confirmed that \$106,000 is a fair analysis of what it would have cost the private sector to put up a two-bedroom unit in 1991, including the profit margin.

When I look at what the auditor has calculated for the two-bedroom equivalent in the non-profit sector, which is also included on page 130, the auditor has said it was

\$158,000 per two-bedroom equivalent unit, which is a significant difference.

We have touched on the difference in methodology that the ministry and the auditor have relied upon, yet yesterday when we talked to the auditor, he said their methodology was based on what the ministry used in the housing framework document, so he's relying on a methodology that the ministry has relied upon. Yet now, according to this, the ministry has disputed this figure and said that the auditor's methodology is wrong, that it's based on bulking up the square footage from a one-bedroom to a two-bedroom equivalent.

I just wonder if you would go into that fairly thoroughly. Of your non-profit projects in 1991, what proportion were two-bedroom? What was the average MUP, maximum unit price, in 1991? And judging that, could you give a rough estimate of what the ministry believes was the average cost of putting up a two-bedroom, non-profit unit at that time? If you want to give us actuals, that's fine, even if you can't give the broad spectrum. But I want to see what you're comparing and what you as a ministry would say it would cost to put up that two-bedroom.

Mr Burns: Some of the general reasoning I alluded to before, we can certainly walk through now. If you want it matched to some of the specific questions you asked, then I think we should take a few minutes to put the documents back together in the right order. If it's not offensive, then I think it would be more helpful to you if we answered your two-part question all at once rather than now and then. If you'll just give us a couple of hours, we'll do it for you at the beginning of the afternoon.

The Chair: Is that okay, Ms Poole?

Ms Poole: Okay. We'll go on to that this afternoon.

The Chair: Your 10 minutes have expired. It's 12:45 and you started at 12:35. Mr Tilson, 10 minutes.

Mr Tilson: Mr Burns, the Provincial Auditor has raised a subject dealing with consultants and architects specifically: the subject of potential conflicts of interest, the fact that "The ministry should consider compensation alternatives to provide incentives for development consultants and architects to control project costs." In other words, many of these project costs have got completely out of hand because of the great costs that are being paid to consultants and architects.

Specifically, the auditor has said, "Architects are responsible for the preparation of plans and specifications of the building and to ensure the contractor follows through on these designs. While a group of directors can select the architect, it is usually the development consultant who recommends either a particular architect or who provides a short list of architects for the group to choose from." In other words, the auditor is saying that this is all prearranged, that this is all set up, that the consultant says, "This is who you should be choosing." I would go one step further: not just architects, but lawyers and anyone else who's involved. These groups are citizens trying to perform a benefit to their community. They're not experts: They rely on these consultants, and the consultants have a list of architects and lawyers etc.

The difficulty is, of course, as the auditor has said, that both the development consultants and the architects are paid on a percentage-of-cost basis. The consultants receive 1.5% to 2% of the total capital cost of the project, including the cost of the land; architects are paid between 5% and 8% of the construction costs only. The auditor therefore suggests that there has been no incentive to minimize the capital cost of the project, particularly for these development consultants, to say nothing of potential conflicts of interest. That is the most startling part I noted in one of the auditor's comments.

He said: "In five of the 12 projects reviewed in the central region, the development consultant and the architect were the same individual or firm or were otherwise related. While such a relationship can be beneficial, the potential for conflicts of interest is high and contributes to higher costs. In one of these projects, the development consultant had the following involvement: acted as a real estate agent for the non-profit group in the purchase of the site and received a 5% commission; was a director of a construction company building the project; held 50% of the voting shares, and finally, was the property manager for the building as well as for several other projects completed by that non-profit group."

I'd like you to comment on this whole issue of allegations of conflict of interest and the allegations of not getting the best for the buck that is paid because of these inter-relationships of real estate agents, consultants and gosh knows who all.

Mr Burns: You have a wonderful way of asking many questions at once. Let me take a minute to go through the pieces.

Conflicts of interest: As a matter of practice, for a long time the ministry has wanted them declared and that the practices of the parties reflect the declaration; that in so far as people are dealing with the ministry, that all be very clear.

Mr Tilson: But that hasn't been done to date.

Mr Burns: No, that has been the practice. What we had not done and what we have done since is to make that absolutely crystal clear by way of, first, a directive to our own staff as to how they're to deal with questions like this when they arise. But I think much more importantly, right in the proposal call that we just issued in December, there's a section called Conflict of Interest. If, as part of the proposal, there are any conflicts, they are to be declared comprehensively at the beginning so that everyone is perfectly clear on where they stand.

As you well know, there isn't necessarily a problem with the conflict of interest. Conflicts of interest arise in the doing of business whether you're in the private sector or the public sector. But what is required for good business practice is their full declaration and an absolute understanding by all the parties of the business consequences of the particular conflicts that have been identified.

I went to the Ontario Association of Architects' general discussion in the fall and was asked by a couple of architects why, in their cases, our ministry staff wouldn't deal with them and would only deal with a non-profit sponsor. The reason they wouldn't deal with them is that in that

particular case, they had more than a client service relationship with the non-profit doing design; they were in some way, as you just said, part of the proposal to build a building.

1250

Our practice is, where that's the case, we will not deal with the consortium on the business side. They're not acting simply as the agent of a non-profit or co-op. It's more complicated, as you've just said. That has been the practice, but we have confirmed it with a directive and made it a mandatory requirement of participation in the next program.

Mr Tilson: I guess the difficulty is that so many consultants end up managing these places. It's a strange coincidence.

Mr Burns: There are some in this particular business—I've no idea how many but there are certainly some—whose business includes not just development work but property management, and that condition has been true of the private sector for a long time. In and of itself I think that's just a feature of the business landscape we're operating within. That's just a touch on the conflict-of-interest question a little bit.

Fees: I think I said at the beginning, when we were talking about the history and the evolution of the programs, that in 1986 there was a sort of general agreement among the provinces and with the feds to delegate down the responsibility for dealing with program delivery.

One of the things that was inherited, in addition to that staging process, was a set of norms used to deal with proponents and fee structures were among those. Certainly, for a period of time those general norms on fees were used in the provincial programs.

What we have done more recently as part of our response to changing market conditions is push harder and harder and harder on every element of the fee structure as we're looking at applications and insist that they not be argued to us on the basis of norms, but rather on the basis of actual work plans and, at the end of the day, actual performance. So the fee element of the capital cost has—and I think the auditor—

Mr Tilson: But that policy still continues, doesn't it, Mr Burns? The policy of the architects and the consultants receiving a percentage of the capital costs which include the cost of the land—that policy still continues.

Mr Burns: The fee schedule for architects—the architectural association relates them to the capital cost of the construction. That's the way they do it. We don't tend to pay their fee structure, but in the way they do their work, they attach it to fees per unit or fees per square foot. That is the way business is done by architects.

Engineers are a little different. It depends on the complexity of the engineering work and it's an actual thing. You've got an electrical-mechanical system, you've got a structural system, you're dealing with a particular thing.

The development consultant guideline, which was up to 2%, was a guideline. What we've done in practice, like I just said to you, is switch to "We're from Missouri. You've got to show us. Where's the work plan? What are you

actually doing?" It's not just "If it's \$1 million, you get \$20,000." We are trying to move the business practice from an expectation that people can push for norms or guidelines towards real costs and real business practices.

Mr Tilson: I was listening to your words of delegating down by governments and in fact that's what you're doing with the non-profit housing projects. You're delegating down to non-profit housing corporations, which leads to a question.

These are churches, these are people interested in helping solve the housing question and a lot of these people—some of them have expertise and some of them don't in particular areas—rely on the provincial government to assist them in pursuing these very complicated projects. Do you have lists of consultants, lawyers, architects, engineers, other professional groups to assist these people in choosing, because they won't know who to go to?

Mr Burns: I will address that. I don't want to lose your question about incentives because I think it's a very important one and I would like to comment on it.

The Chair: Go ahead.

Mr Tilson: You're not saved by the bell, in other words.

Mr Burns: Well, we're here for the rest of the week. I think the bell is irrelevant.

The program requirement as was indicated in the chart, right up to and including the proposal call we issued in the fall, says you can't get past first base if you don't demonstrate as an organization that you've got the resources to deal with the thing you're proposing to do. A capable board is one ingredient to that; the right professional services is another.

In some cases people will come with development consultants, as you've mentioned, sometimes they'll come with other groups of professionals or associated people, sometimes they'll come with the municipality, and they'll say, "The city of Ottawa's going to build this thing for me." They've got the capacity, so you can respond to that.

A church-based group in a smaller community comes to us and says: "You're saying we have to prove we're competent, and we need some professional resources. Where the hell do we find them?" We will give lists of people who practise this business in a region, but we do not license, we do not regulate this industry, we don't blacklist. What's given out by our office is our best understanding of who's providing this service, and the group itself makes a search and a business decision, whatever that group happens to be.

We don't provide comprehensive lists, as far as I know, for other professions related to the building industry—appraisers, architects, lawyers, engineers and all the other professions that are involved in real estate-property management. We don't do that. We do provide what might be called master lists of people who are in this particular business in a region. That's all. They're not evaluated, they're not licensed.

Mr Marchese: Another member has raised a question about the high cost of non-profit housing and why not pursue the alternative of buying existing housing stock.

My sense of that is that what's probably available is one-bedroom or two-bedroom condos, and that in itself is quite costly if not more costly than what it takes to build. In building, we're creating jobs and affordable housing for many, so that would be a positive thing.

I want to pursue that line of thinking and ask you some questions. A number of people ask, "Why not let the private sector build non-profit housing instead of having governments do that?" because they could probably do it better. Given your experience, is that an option that somehow we are not allowing? Why is the private sector not building non-profit housing or affordable housing, for example, if that's what it wants to do or if that's a cheaper option? Do you have a sense of the answer?

Mr Tilson: You can't beat city hall.

Mr Burns: The private sector builds most of the new housing in any particular year, including from the point of view of construction, at least all of the non-profit housing. We do get private rental housing built in Ontario every year, 2,000, 3,000, 4,000, 5,000 units, but most of it in smaller communities.

The question that was raised over here originally about the relative merits of buying existing and building new is a broad policy judgement that governments make based not just on program objectives but on market conditions from time to time, and it has changed over the last 25 years just by observation. At the moment, the last number of programs have had some component of purchase in them, but mostly have been about new supply. That's essentially been the general approach taken by the province of Ontario since 1964. I don't want to judge that, but just to describe it; that's what's happened.

1300

Mr Marchese: I was going to pursue it in different ways but I'd rather ask another question, given that I have another question to ask. Do you get the sense that we're building non-profit housing or cooperative housing in areas where there are already plenty of such units? Are we attempting to mix housing in a number of other areas where there's probably a need and we're not doing so, and do you see it as a problem?

Mr Burns: This is a question that vexes local governments and communities in thinking about non-profit and co-op housing.

Just to step aside for a minute, in 1987 and 1988 the government put together and finally promulgated a housing policy statement under the Planning Act that required municipalities to rethink their housing strategies. In fact it identified a number of priority ones—they were in all of the high-growth areas—and it explicitly said: "You have to deal with the question of increments to your housing stock and who are they for and how do you deal with that. You should have some goals for that. You can't have a situation where you only allow million-dollar houses to be built in your community; you have to have some diversity to your housing strategy."

That's caused a number of municipalities to think about the issue you just raised, which is, in increments to their housing stock in new subdivisions or in redevelopment areas,

what proportion of that might appropriately be moderate-cost ownership or non-profit rental? Some progress has been made towards thinking about those issues in terms of goals instead of reacting just to local conflicts.

The second thing I'd say about that is that the professional literature that's looked at the consequences of non-profit and cooperative housing in a community, mixed tenure, and the scale we produce here, suggests that you can't find impacts, for example, on market prices and parking and traffic conditions. They're the sorts of things that often worry people when you first start talking about non-profit and co-op. We don't have a lot of professional evidence that there are negative consequences to introducing non-profits and cooperatives in particular places.

In a few places, a number of non-profits and cooperatives have been funded in a short period of time, and sometimes in local community contexts you get a worry about the pace of change, that it's just a whole lot of change all at once and has that been thought through and does that have consequences for the schools and the social service structure and all that sort of thing. I think there have been times in the development of social housing in this country where that has not been fully and properly dealt with.

When the city of Toronto did the St Lawrence neighbourhood, they chased it for 10 years and the provision of

social infrastructure—day cares, schools and all that kind of stuff—is still in some ways not fully dealt with. You can get to a point where you're doing something at a scale where you're not dealing with all the consequences when you do it. But by and large, in recent years, the program's been funding relatively smaller projects in a relatively large geography.

Just to acknowledge it, there are still a few places in the province where this "It's all too much at once" is an issue, and I think in some respects it is an issue. When you introduce a whole lot of people all at once, there are second-round impacts that need to be looked at.

Ms Harrington: I'd like to go back to the costs that the auditor was concerned about. He looked at the maximum unit price. I believe from 1987 to 1989 the maximum unit price did not increase. Is that correct? I'll go ahead while you're looking it up. I think the question from the auditor's point of view—

Mr Burns: From 1987 to 1989, I think there were increases. What we didn't do is change it from 1990 to 1991, even though that's when the market went over its hump and backed down, and one of the questions, rightly, asked in the auditor's report is, why didn't we?

Ms Harrington: You're going to ask the question for me here.

Mr Burns: It wasn't done for two principal reasons. The impact of the GST on our cost structure, which was introduced January 1 of that year, was not perfectly clear. In fact to be honest, it still isn't today. We still have arguments going on between all the parties in this process and the feds about who pays how much GST, when and all that stuff. That was going to goose prices to some degree

automatically, even though other parts of the cost structure were declining. We wanted to see how it was going to fit in and shake up.

The second thing is that some time in 1991 the market adjustments to the turn in the general economy were uneven. We're still seeing transactions in the land market up there, and then over there you'd see one down here. The process that the marketplace went through to adjust took a while, and we had trouble tracking what the real underlying trend in all this was and what evidence should we rely on.

What was done was that the MUP was left in place but pressure was exerted at the level of individual projects over the course of the year. In fact over that year we ended up committing the universal projects in that year at 94% of MUP, and over the course of the year that average dropped. As we were dealing with real projects, we were experiencing cost reductions, but we got at it differently than using the general MUP; we got at it specifically through the projects. We have of course since reduced the MUP, because the shape of the change is stabilized and we understand it better.

Having said that, the MUP itself, and I've said this before, is a pretty blunt instrument, and we have to unpack it a little bit to deal with the real cost elements within it a bit more effectively, in part because I think we should do something more creative about addressing incentives in the cost structure on the capital side than maybe we have.

Ms Harrington: Very briefly, would you say the development charges in that area of 1991 were also a factor?

Mr Burns: Yes. In some communities, they were introduced in 1991.

Ms Harrington: Was that significant?

Mr Burns: In some communities, it's quite significant. The MUP applies to big geography. So you get one municipality with a \$3,000-a-unit development charge and an exemption for non-profit and next door you've got somebody with an \$8,000-a-unit development charge and no exemption for non-profit. What do you do with the MUP? What we're going to do is unpack it so that we can deal with these things. But at the day the two-tier MUP in Toronto covered municipalities with incredibly diverse practices and development charges.

Ms Harrington: One last question: Was the MUP reduced in 1992?

Mr Burns: Yes.

Ms Harrington: By how much?

Mr Burns: I don't know what percentage that is. It varies by region and size of unit, but somewhere between 5% and 10%, depending on where it went. Even with that, in that year we committed at 91% of MUP across the whole system. So even though the big cost control dropped to there, the actual trend line for project commitments continued down and was below the reduced MUP.

The Chair: Thank you. The committee is adjourned, and we will reconvene at 3 pm this afternoon.

The committee recessed at 1309.

AFTERNOON SITTING

The committee resumed at 1511.

The Vice-Chair: The public accounts committee will now come to order for our afternoon session. I understand the deputy minister will be somewhat late. I think, however, we should continue, and I believe we have the clerk to bring you up to date where we left off. The Liberals will be starting this round.

I understand you want to answer some of the questions that were asked this morning. Why don't we do that first, and may I ask that you not direct the answers to any specific member, and then we'll continue with our rounds. Any follow-up questions could be made that way. Thank you.

Mrs Suzanne Herbert: All right. What we'd like to start to do is go back to the question of the two-bedroom equivalent and the costing. So if I can direct the members to the letter that was sent to them on March 5, we're going to start, using that as a focus for responding to some of the questions that occurred around this subject this morning. I'm going to ask Toni Farley to lead us through that.

Ms Farley: Do you all have a copy of the letter dated March 5?

The Vice-Chair: The March 5 documents, yes.

Ms Farley: Okay, great. I first noticed that there was a potential problem with the methodology when you look at the finding that the auditors came up with, which was that the average two-bedroom cost in Metropolitan Toronto was \$158,000 for 1990-91, and when you look at what our MUP was for that same time period for Metropolitan Toronto, it was \$152,000. Then, later on, the auditors went on to say that we were committing projects on average at 94% of that \$152,000. Therefore, how could the average two-bedroom equivalent be \$158,000? There was therefore a logistics problem.

The auditors very kindly lent me their notes, and I looked at the methodology they used to calculate the figure of \$158,000. What they basically did is that they took a sample of 12 projects, all of which were located in Metropolitan Toronto. They had the total square footage for each of those projects, and they had the actual number of units. They then assumed that the average two-bedroom size was typically 800 square feet. They divided the 800 square feet into the actual square footage to get the two-bedroom equivalent.

In the letter there is an example of how that worked. There is a project that had a total capital cost of just over \$36 million that was all of one-bedroom units—297—4 and it had a total square footage of 179,091. That translated into 225 two-bedroom equivalents, and then, looking at the average cost of those 225 units, it came out to an average cost of \$161,000. But when you look at what it actually cost us to produce that, it was \$121,000 a suite. So there is obviously a problem there in the methodology.

I then thought, okay, maybe I'm doing something wrong here. And I thought, well, if the conversion model works, I will then simply convert everything into one-bedroom equivalents, since most of the sample was in fact

one-bedroom. Converting everything to one-bedroom equivalent in fact yields a much more accurate response, simply because of the sample that was used. You're getting an average of \$121,000, so that to me meant that that \$158,000 per unit is really misleading.

The Vice-Chair: I think on this subject, before I turn to the—I believe you have other questions that you have answers for in other areas.

Ms Farley: Yes.

The Vice-Chair: Okay. The auditor has asked me if he could ask some questions with respect to this particular area, so I'm going to turn to him and allow him to ask some questions.

Mr Peters: Thanks very much. I just wanted you to relate the comments you just made in which you pointed out that the flaws in this methodology that we used, which I've explained to the members already, we used in the absence of any other available methodology at that point, and the ministry itself had explained, I think when we discussed the matter, as you indicated to us, Dan, that there were absences of information.

I wonder, in order to put this back on the controversy, rather, in measuring between yourselves and ourselves, if you might not also want to relate for the members how this relates to the total cost per unit in the slide that you presented this morning, where you said that in a sample project for families in Metro Toronto in 1991 the total cost per unit was \$144,000, which seems to be very much closer to the numbers that we developed. That is the number one question, if you could relate it.

The second rather interesting point, and you might want to check this out, is that we did a very rapid calculation based on the slides presented this morning and tried to apply our methodology to the information that was presented on the slides. We determined a unit cost of about \$111,000 only, using the available cost versus the \$144,000 which you say you paid; in other words a differential of something like \$32,000 per unit or 29%. If you are really quite definite about it and apply this to the \$5-billion cost that we have, we're talking about a \$1.5-billion cost differential. You might want to help the members out a little bit in explaining that, if you will. I'll gladly give you this sheet.

Mr Kormos: On a point of order, so that we can follow: There are two total-cost-per-unit pages. One is page 144 and one is page 115. Which one is the auditor referring to?

The Vice-Chair: Which page is this?

Mr Peters: I'm referring to a pie chart that says, "Sample Project for Families in Metro Toronto."

Mr Kormos: Okay, not the seniors.

Mr Peters: When somebody asked the question of the committee—I think just to explain why they're related—what the mix of these units was, the point was made that they were largely two-bedroom and others so that we could relate the two together.

Mr Burns: I think the important thing about both slides—I touched on it briefly this morning—is that they represent the cost breakdown for one project each. They're not the averages, and we didn't present them in order to advance any conclusion about general cost structure, but to show you the typical breakdown of capital costs in a couple of projects. Obviously, if these were our average costs, then all the things you said afterwards would have validity. They are not our average costs; they were presented to give you a sense of—not you, because you know, but members of the committee—what the basic cost elements are in a typical non-profit project.

Interjection.

Mr Burns: One was family and one was seniors.

Mr Peters: They were both samples.

Mr Burns: In a sense, they are samples, but it's not even a sample. It is just one project.

Mr Peters: It says on the slide, though, "Sample Project." Oh, it's one sample project.

Mr Burns: A sample. I did say that this morning, but I appreciate that I was just zooming along. Let me just emphasize it again: Each one of these is the cost breakdown for one project, but we gave it to give you a sense, in a project, of what the elements of the capital cost are, not because they represent, in any way, any sort of average. I'm very sorry if we left any misunderstanding about that on the table with anyone this morning.

1520

Mr Peters: The important point is, though, that that was a sample project, that is an actual sample and it came very close to the calculations we have made for the same time period for two-bedroom apartments. That part I'm very pleased to note—

Mr Burns: That's valid and, as you know from looking at our material, the capital costs are in array. They don't fall all in a band of a couple of hundred dollars' difference; there's actually a distribution.

Mr Peters: Right, that's very good, thanks.

Ms Farley: How accurate the methodology is in terms of coming up with something based on actual really does depend on the mix of the unit sample you're dealing with. In this instance, it didn't work simply because they were all one-bedroom units. In subsequent calculations that you do, where the sample is predominantly two- and three-bedroom units, then in fact you tend to get something a little more representative of actual. What we then did is for—if I can carry on?

The Vice-Chair: Yes, please carry on.

Ms Farley: Looking at the actual average cost of all units in Metropolitan Toronto for 1990 and 1991, we have a figure of just over \$134,000 per unit. That's based on a sample of just over 6,000 units in 67 projects.

The Vice-Chair: Do you want to carry on?

Ms Farley: The other aspect that was touched on in the—

Mr Tilson: The auditor said \$158,000.

Ms Farley: That's correct.

Mr Tilson: I'm just clarifying that, Mr Chairman, because that's quite a major discrepancy between what the auditor said and what is now being said.

The Vice-Chair: Yes, that would seem to be the case. Could you carry on, unless you have something else.

Mr Peters: I'm just wondering—the point being made, though, is that they're non-comparable units. In other words, in our unit we have developed for the demonstration a hypothetical two-bedroom unit of 800 square feet. The \$134,000, if I understand the number correctly, can be a mix: It can be a unit as small as a hostel bed and as big as a three-bedroom apartment, so it's the average of those. If the majority of these were hostel beds, I would say that would be terribly expensive. I must confess to some trouble comparing the numbers because of the mix question as to what a unit represents.

Mr Tilson: What are we to believe? What is the average cost of construction units?

The Vice-Chair: Mr Tilson, may I just interject at this moment? Can we have an agreement to carry on? I understand you want points of clarification, but I think if we have the presentation and the responses to questions that were asked, then we'll get into a round of questioning.

Mr Tilson: The difficulty is, Mr Chairman, I think we're still not certain as to what the average cost of construction is.

The Vice-Chair: I'll be happy to entertain a round of questioning at this time if that's what the committee so desires.

Mr Tilson: I'm just hearing a set of figures here and a set of figures here; that's all I'm asking.

The Vice-Chair: Mr Kormos, on that point?

Mr Kormos: Please speak to Mr Tilson's point. I think it's incredibly important that we clarify this. The auditor and the ministry are in a position now to explain—well, he's already explained what it is the auditor relied on. But more specifically, I think it's important that these people be given a chance to explain—the ministry people—how it is that the approach used by the auditor resulted in this inaccurate impression. Exactly what is it? Again, I suspect it's the matter of bathrooms, kitchens being factored in, or whatever. I agree with Mr Tilson. Let's have this dialogue now—

The Vice-Chair: May I suggest, as the Chair, that we have a five-minute round on this particular subject matter? We'll start with the Liberals and go around. Five minutes. Have you finished with that part of your presentation?

Ms Farley: Yes, I have.

The Vice-Chair: Okay. Why don't we have questions now, starting with Ms Poole.

Ms Poole: This morning when I raised this issue, I asked you if you had an analysis of how many two-bedroom units you had in the non-profit housing program, how many one-bedroom units and how many other types. I wondered if you had that information for us now.

Ms Farley: Yes, we have it for central region, which is the largest area, for new construction projects for 1990

and 1991. There were a total of 8,566 units, of which 2,846 were two-bedrooms.

Ms Poole: I'm having a little difficulty understanding why it appears to be so impossible to calculate the cost of a two-bedroom apartment. When I contacted several people in the private sector and said, "What did it cost you in 1991 to build a two-bedroom apartment?" they went to several of their projects which had mixed bedrooms in them and came back and gave me a very definitive number.

There are certain factors that are common if you're looking at the cost of a two-bedroom and one-bedroom. The foundation is an enormous cost, the exterior walls, the heating, ventilating and air-conditioning system, the central plumbing system, the elevators; all this type of thing are all common costs. When you get into a one-bedroom or two-bedroom, then you'd have to calculate the difference that having a kitchen, for instance, or a bathroom would make in converting. But can you not calculate in one of your projects what you estimate to be the average cost of a two-bedroom unit in that building?

Ms Farley: If I may answer this, we went back during our break and attempted to do that. This is obviously a very rough estimate and not based on an extremely comprehensive sample, but we did come up with a cost of about \$143,000 for a two-bedroom.

Ms Poole: So \$143,000. And how would the methodology you used, whatever it is, differ from the methodology the auditor used, which was basically to go on a square-footage basis? Did you factor out the cost of things such as the kitchen and bathroom, or did you go back to actual figures in a building which had both two-bedroom and one-bedroom apartments?

Ms Farley: We went back to actuals.

Ms Poole: And it is your feeling that the project you chose would have been representative of your average housing project, where you didn't have a lot of special needs, you didn't have a lot of hostel-type units—

Mr Burns: When Toni says it was rough, unless we go back and look at the actual projects, ones that are specially fitted for disabled people and extra elevator costs and all those kinds of things, they're very difficult to speculate on. So when Toni said it's rough and it's preliminary but it gives you a ballpark, that's all we can do, without something more extensive.

Ms Farley: I did a very rough check on that. I looked at what our two-bedroom high-rise MUP is. For Metro in 1991 it was \$152,000. If we're committing on average at 94% of that, then you are looking at \$143,000 and change, \$144,000.

1530

Ms Poole: For the sake of discussion, let's use the \$143,000 figure for a two-bedroom non-profit unit, and also for the sake of discussion, let's use the \$106,000 figure for a private sector unit built at the same time. How would you attribute that significant difference between \$106,000 and \$143,000 for delivering the same thing? Where is the bulk of it? Is it in administration? Is it in the

two-year time lag? How would you divide that up? How would you explain it, I guess is the question.

Ms Farley: It was primarily in the land. I didn't have a great deal of opportunity to look in detail, but the study that was referred to in the audit, which was the LePage study, indicated that prices declined from \$156,000 to \$106,000; that was a drop of some 32%. Where that was reflected was in the cost of land. Where the model originally assumed a land cost of I believe \$78,000 a unit, that then declined to about \$30,000 a unit, and the question begged of the auditors of us was that we didn't take advantage of that drop in land prices.

That was where the difference lay, so I went back and said, again based on actuals, "Okay, what did we pay for land, and what are we currently paying for land?" What I determined was that in fact the most we have ever paid for land was in 1988. At the peak, we paid just over \$42,000 a suite for land; in 1991, our average declined to just over \$28,568. So we had a drop of about 33% in land, so again we are consistent with the findings of the ministry study in terms of acquiring land at about \$30,000 a suite.

The Vice-Chair: I'll interject to say that there's one minute left, and Mr Callahan wants to ask a brief question.

Mr Callahan: Why haven't you got these figures? I get the impression that you're putting them together after the fact. I would have thought it would be most important to have a process in place whereby these could be determined on a project-by-project basis, particularly the consultant's fee, which I understand is most unusual. The consultant receives a percentage on the price of the whole thing: the land, the buildings, the whole works. That must also drive the whole thing up. Why did you not have it, and do you now have it? Are you now in a position where we could find out the individual price?

Ms Farley: We do have the data on computer. Each project is broken down.

Mr Callahan: Why wasn't it given to the auditor, then? Why did the auditor have to simulate this if you had it?

Ms Farley: The audit took place in the late fall of 1991 and the first part of 1992, correct? Our year-end was then, and the bulk of our projects tend to get committed during that period, so we didn't have the comprehensive data available at that point in time. Projects simply weren't committed then.

Mr Callahan: When did it become available?

Ms Farley: Actually, they're becoming available now, towards mid- to late 1992.

Mr Callahan: Bizarre. That's all I'd say.

The Vice-Chair: I'm sorry, the five minutes have elapsed. Mr Tilson, you have five minutes.

Mr Tilson: That's a long time.

Mr Derek Fletcher (Guelph): That seemed like 10 minutes so far.

Mr Tilson: No, I'm not referring to Mr Callahan. It's a long time to not be able to make that information available. Don't you have computers, or are you doing it by hand over there?

Ms Farley: We have computers. The programs aren't designed to generate this type of information, so you have to go back. In terms of what we use the information for, it's not the use that the auditors were seeking. At that point in time, we simply didn't have the volume of projects to indicate what in fact we actually did commit at what price levels.

Mr Tilson: So you got your first report from the auditor in April, and then another one came out in June. You'd think you would have been alerted. These figures on page 130 were made available to you in April of last year.

Mr Burns: That's true, and of course when that happens, there's a discussion between the audit staff and the ministry staff, as there was in both those cases. Acknowledging the narrow base of data, we put forward the view that we thought the methodology was going to give numbers that would divert from actuals that we write in terms of methodology. The ministry letter to the auditor said that. We had a sense that there was an understanding of that discussion, which I think there is. The audit report stuck with the work that had been done, which is not totally unexpected, but we did discuss these things, and our reflections on them were embedded in our letter of July.

Mr Tilson: I'd like to ask the auditor to comment. Your office seems quite specific on page 130: "We calculated the average cost of a sample of 12 projects approved in 1990 and 1991 in Metropolitan Toronto to be \$158,000 per two-bedroom equivalent unit, even higher than the prices at the peak of the housing boom." I assume those are the figures we're speaking of, and that's the specific paragraph. You seem quite specific. The ministry is saying that you simply didn't have the right information, but you're quite specific when you say you had 12 projects. I'm just confused when I see figures—this is my initial question of clarification; I guess I was the one who started this round. The ministry says \$135,000, \$134,000, and you say \$158,000. I'm still not clear, in other words.

Mr Peters: I would turn this over immediately to Gary and Anne Beaumont, who worked with this. I confess to you that I'm not clear either. The one fact of course remains that the \$134,000 figure was provided to us on March 3 and to the committee on March 5, 1993. It did not arise in any discussions we had.

Mr Tilson: You had 12 real projects that you got your figures from. As simple as that.

Mr Peters: Yes, I'm not denying that. It's just that you also put in the \$134,000 figure.

Mr Tilson: Well, that was a response to the comments made by the delegation.

Mr Peters: That's right. And I'm pointing out to you that our figure was developed and made available way back in April, and you're quite right on that. Then the \$134,000 figure was only made available to us on March 3, 1993.

Mr Tilson: What's the real story, Mr Auditor? What's the real story here?

Mr Peters: Well, let's hear.

Mr Gary Peall: I think the real story is just how they tried to explain the difference in the way the methodology is presented. If you have a very heavy weighting towards single bedrooms, then those fixed costs associated with the single bedroom, going to a two-bedroom, get inflated in the model we apply. The 12 projects we picked were all the projects we could readily identify as being in Metro Toronto, and as we only had comparative data from Metro Toronto, that's what we used to compare. So we took the complete list of committed projects the ministry had as of the date of our audit and said, "For the projects we can identify as being in Metro Toronto by their description, we will calculate this two-bedroom equivalent unit, and that's how we'll try to make the comparison to what's going on vis-à-vis the private sector to put some overall perspective on this thing."

In those 12 projects, we weren't sure of the mix of units, and as Ms Poole has tried to point out, the mix of units does make a very big difference to this calculation. That's where the difference arises.

Mr Tilson: I trust that the auditor's office, now that you will have all the information that wasn't available to you, will be coming back to this committee in due course with further comments, because this figure is most important for us to appreciate the pros and cons of the financing of non-profit housing. It's now been left up in the air, depending on what type of unit you're talking about. I believe one can be more specific about that.

I'm not being critical of you or the ministry. I'm just saying that surely there's a way of being more specific so that we can come up to appreciating the variance of units, that we can be a little bit more precise in determining what the average cost would be.

The Vice-Chair: I'm sorry. We've run out of time, Mr Tilson. Mr Kormos.

Mr Kormos: You know, I don't think there's anybody here who wouldn't feel a little bit of concern about the fact that you don't have a handle on your per-unit costs. I say that, but that having been said, the issue is the comments made by the auditor. You heard just now an explanation as to how that calculation—taking a gross square footage and then turning it into two-bedroom units—creates in this instance an artificially high price. And that's because of what factors? Why is the number arrived at \$156,000? Why is that number arrived at inaccurate, especially when applied to that project?

Mr Burns: Our comparison to actuals demonstrates that it was out of line. It actually produces a number higher than the MUP, and we knew then that we were committing below MUP.

1540

Mr Kormos: MUP is maximum unit price.

Mr Burns: Maximum unit price, the capital cost control system. We knew then that we were committing under MUP, so there was an understanding last summer that it wasn't quite working among all the parties to the discussion. Why it doesn't work arithmetically is a question that I'm interested in too. Frankly, I don't have a full answer for you right now. I believe its roots are in the issues that

were raised by Ms Poole earlier, that hostel beds and one-bedrooms have a different ratio of support space in the building in any unit than two-bedrooms and, in turn, three-bedrooms. Arithmetically, when you try and bridge from a sample that's tilted a lot one way to another part of the stock, you can't arithmetically guarantee that you're going to produce equivalent costs. We believe the actuals demonstrate that.

As I said this morning, I believe—and in fact Mr Tilson just said it—we should have a methodology we're confident in. I'd like to have one and I'd be more than happy to have a further conversation about how we can do all that kind of thing. We do collect program information. We are not absolutely ignorant at 777 Bay of what's going on in the regions, but with projects in motion it's not a simple thing to pull out of them the kind of material that was needed for this particular kind of assessment. There is something in that arithmetical process that does this, and I'm not sure, sitting here today, what it is that does it.

Mr Kormos: I'm not really good at that kind of stuff, but I get the impression that if, for instance, they had taken three-bedroom units and applied the same formula, why then it would have been, in the converse, an artificially low figure, because there's a fixed cost of bathrooms and washrooms and foundations and kitchens.

Mr Burns: I think actually the arithmetical tilt was running the other way. If you tried to do a hostel unit conversion, you'd end up below our real program costs, and if you did a three, you'd end up even higher above. That's the way the arithmetic tilts from the actuals.

Mr Kormos: Because you point out that what they ended up with was 225 two-bedroom units when there were actually 279 one-bedroom units.

Mr Burns: Right. That's a measure of why the arithmetic is a bit of a problem.

Mr Kormos: So the numbers that the auditor came up with using that formula were higher than the actual numbers.

Mr Burns: Yes.

Ms Farley: No, no. Excuse me; I'm sorry.

Mr Burns: Higher than the actuals for the whole sample, not for the actual projects we're looking at.

Ms Farley: Exactly.

Mr Burns: Obviously, they didn't miss those numbers. They were real numbers from real files.

Mr Kormos: So they were inappropriate numbers, they were unfair numbers to compare against the real scenario.

Mr Burns: I think I said this morning that it's not a conventional calculation in the real estate business that I know of, so an effort was made to try and construct one. I think they should go back and construct one that works consistently.

Mr Kormos: The auditor also made reference—and Ms Poole has made reference to a similar figure—in his report, page 7, about how a two-bedroom unit that cost \$156,089 could be built for less than \$106,000 in 1991,

including a 20% profit for the developer. That's this Royal LePage report that was commissioned. I guess the first report was done back in 1989. These people seem to have some problems as well, starting back in 1989, mind you, before you were deputy minister.

The Vice-Chair: That may be an interesting point, but we've run out of time.

Mr Kormos: Give him a chance to respond.

The Vice-Chair: Maybe we can get a brief response on that.

Mr Burns: The ministry did commission Royal LePage to look at some market conditions and give some advice on trends, and some of the numbers in the discussion today arose from looking at that material, including the \$106,000. I think at some point, if we finish this cycle, it might be worth a few minutes looking at that report and that material and talking about what it is and what it isn't. But I won't do it right now. We'll leave it for an appropriate time.

The Vice-Chair: Perhaps I could ask members if there are any further questions in this area. I'd be happy to indulge you in another round. Remember, I'm at the disposal of the members. Would you like me to do that and we'll have another five-minute round? Ms Poole, you can start that next round.

Mr Burns: Mr Chair, if I could just interrupt for one second, there were a couple of other questions asked this morning beyond the ones we've just been addressing.

The Vice-Chair: Yes, I understand that, but I think—

Mr Burns: One was the one you asked and one was another of Ms Poole's. We do have answers to other questions, but we'll leave that in your hands to deal with when you want.

Mr Tilson: A point of order.

The Vice-Chair: A point of order, Mr Tilson.

Mr Tilson: Both the ministry and the auditor said they're going to have to look at these figures again. It seems to me we can keep asking these questions for ever, and at this stage there doesn't seem to be an answer, because the information isn't available.

The Vice-Chair: I'm at your disposal. If you'd like me to go around to this side for questioning, we'll do that.

Mr Tilson: If you want to go around again, but I don't know how many times they can say it. They don't know. Nobody knows.

The Vice-Chair: The auditor has a point to make here.

Mr Peters: Hopefully, I can put this into some sort of perspective that's helpful to the members. We did a hypothetical calculation in order to determine whether prices should have dropped because the market prices dropped in that particular period of time. We came up with a calculation of a hypothetical amount using your hypothetical two-bedroom apartment. We brought this out as one of the problems of the price not having dropped with the market as it went along.

Indeed, I think we can spend an awful lot of time being precise as to what the actual number would have been.

Where we stand right now is that we have opted for the top of the range based on our discussion, which was around a \$200-million differential on the sample, and the ministry has acknowledged that it is at least \$20 million. So any precision we have now is in merely being precise whether it is \$200 million or \$20 million. It's still a lot of money. I think the point has been made that the rates did not drop with the market. We can spend a lot of time now calculating it, but I think the point for the committee's benefit may have been made, although the precision is being questioned, if that helps.

The Vice-Chair: Ms Poole, on the same point of order.

Ms Poole: No. I wanted to say, the question I have isn't so much on the method.

The Vice-Chair: On a different point of order.

Ms Poole: It's not so much on the methodology, which Mr Tilson and the auditor have just responded to; I'm trying to get at why there is a difference in the private sector price and the non-profit price. I'm willing, for argument's sake, to take the ministry's figure and just say that's a \$37,000 difference. Even if you have land as a major component, that cannot explain the whole thing, because the land price per unit only went down \$14,000 from 1988 to 1991. So I accept your argument that land's a major part of it, and I'm sure it is, but I'm trying to get at why non-profit housing is more expensive to deliver.

The Vice-Chair: Mr Duignan, on the same point of order, because we're not asking questions at this point.

Ms Poole: Hold that question.

The Vice-Chair: Just let me follow some semblance of procedure here.

Mr Duignan: I'm not actually too sure which point of order we're really on.

The Vice-Chair: Mr Tilson's original point of order.

Mr Duignan: You will not be able to determine the minister's figures until you do another audit of the figures, is that correct?

Mr Peters: That is right. I'm asking the committee whether we should actually make that effort, because all we are talking about is a range of numbers. The ministry and I agree on the direction but not the amount.

Mr Duignan: So that in fact could be a recommendation of this committee on Thursday afternoon.

Mr Peters: It could be a recommendation if you wish to have a more precise number on this, but it is past history. I don't know how much benefit there would be.

Mr Duignan: Thank you.

The Vice-Chair: I need some direction from members of the committee. Shall we continue this line of questioning or is there not a consensus and we can move on to another area?

Ms Poole: You could go back to 20-minute caucusing and we can all decide what we want to talk about, if you like.

The Vice-Chair: I think I will proceed in this fashion: I will allow the ministry to continue with its answers to questions that were specifically asked this morning, and

once we complete that, then we'll move on to 20-minute rounds. So would you like to carry on with your presentation or answers to questions?

1550

Mr Burns: Mr Chair, you yourself asked a question this morning about the level of acquisition activity during the program delivery period we were discussing this morning. I have a chart here that covers that: 1986 to 1991 inclusive, \$5,989, or in general terms, \$6,000. That's, I think, a little under 10% of the total program activity in that period of time.

Actually, I have it broken down here by region and year and could copy that and make it available to you if you want, but that's the level of acquisition activity. Most of it took place in the last three years—that is, 1989, 1990 and 1991, in that period.

The Vice-Chair: Perhaps you could make that available by photocopying it for all members of the committee. I think the clerk will assist in making some photocopies.

Mr Burns: Next, Ms Poole asked a question about the pattern of change in overall starts, non-profit starts and private rental starts over a period of time, and we have a summary chart that answers—not answers but—

The Vice-Chair: Do you have copies available?

Mr Burns: This one, we have copies, and it's even a nice chart. This is the wonders of modern technology, if you have the right person sitting at a computer.

The Vice-Chair: Perhaps we could distribute that as well for members of the committee. As that's being distributed, would you like to give us some comments on that?

Mr Burns: Yes. There was one other proposition made this morning that I think I should respond to, several questions about the federal-provincial planning model or allocation model, often referred to in the vernacular as the fair-share model, and the work that we're now doing to try to make the assessment of local need a bit more sophisticated than what's turned out by that model. We're prepared at any time you think is appropriate in the proceedings of this committee to make a separate, say, 10-minute presentation on the history of that, how it works historically and how we're looking at changing it.

I need a little bit of notice because the expert is over there in College Park, but if you wanted, for example, to start tomorrow or Thursday with a little presentation on that, to kick off some discussion, that would be fine with us.

The Vice-Chair: I might ask the members when that might be possible. Could we say tomorrow afternoon in the afternoon session, to make that expert available for the committee?

Mr Burns: Okay, that's fine. Thank you. I think those were the questions put to us this morning that needed a response right now.

The Vice-Chair: We'll commence the next round, 20 minutes to each party, starting with the Liberals. Ms Poole.

Ms Poole: Are we going to have a 20-minute round?

The Vice-Chair: Twenty minutes.

Ms Poole: Mr Chair, would you let me know when 10 minutes are up so that we can share our time?

The Vice-Chair: That's fine. Ms Poole or Mr Callahan, who's going first?

Mr Callahan: Age before beauty. That's not a sexist comment. I'm older than you are. That's a fact.

The Vice-Chair: Before we have other comments which might be troubling in nature, please carry on, Ms Poole.

Ms Poole: I'd like to go back to the point we were on before because, quite frankly, one of the biggest criticisms of non-profit housing over the years has been that the private sector could deliver it more cost-effectively, and I think if we're going to deal with this issue we have to address that particular criticism. If we take the ministry's figure of \$143,000 for a two-bedroom unit and \$106,000 as the private sector cost for producing that two-bedroom unit, there's a \$37,000 difference.

I understand the dilemma you're in with the land, that because of the close-to-two-year time lag, land that you bought in 1989 doesn't come on stream, the building isn't up and occupied until 1991, so that you do have that time lag to deal with. But even giving the benefit of the doubt, saying that we use 1988 prices, which is the peak of the boom, when it was \$42,000 per unit for land for a non-profit unit, even if we use that figure and deduct what was being spent for a non-profit unit in 1991, which you say is an average of \$28,000, that's 14,000 additional dollars you might have had to pay for land because it was purchased two years previously. So let's take that out of the equation. You're then down to \$23,000 difference on a unit.

I'd like you to turn to page 135 of the auditor's report. The auditor has looked at monthly controllable operating costs per unit and has taken out items like utilities which are beyond the control of the non-profit group and the project, and the auditor has listed I believe six different items where he compared what the Toronto private rental sector and the Toronto sample projects were paying per unit for these things.

I'm looking at, for instance, labour and related costs. The auditor has said that his calculation is that in the Toronto private rental market you'd be paying \$23 per unit for labour and related costs but the Toronto sample non-profit project would be \$72, which is triple in non-profit as in the private rental. I wonder if you could give us an explanation of why there would be such a large differential there.

Mr Burns: You've asked two questions in two general areas and a further one on some capital cost issues and then a question on operating costs.

Ms Poole: Right.

Mr Burns: To handle them in reverse, the social housing sector generally, not just non-profits and cooperatives but public housing, experiences higher operating costs than the private sector. Partly that's because we impose on them a very difficult set of administrative practices that they have to follow. They have to vet people on intake. They have to recheck people every year if they've got more than one project. The city of Toronto is administering

about 90 budgets and seven different sets of program rules. So there are requirements that we lay on operators of non-profit and public housing, social housing, that mean by definition that there will be higher administration costs. That's the first point.

Second, social housing, and again this applies to public housing as well and not just to non-profit and cooperative housing, runs at a higher level of staffing and a higher level of annual expenditures on maintenance and repairs. I think that's probably got several different root causes, but it is a fact. There's a higher level of public expectation about service and response and maintenance levels. I believe, in public services than there is in private ones.

In addition, and particularly in the public housing stock, because our access is tilted to families with young children, you get a lot of wear and tear that you have to respond to. It's just rooted in the nature of the community and dealing with the real conditions that are there. I think at base, and this has been for the last 50 years, there are higher operating costs in the social housing sector than the private sector. So that's one point.

But having said that, the auditor points out, and we agree and reach the same conclusion in our program review, that the distribution of costs is a little wider than you'd really expect if you were just coming at it fresh, so we included in our program review follow-up work plan a process of looking at norms for broad categories of expenditure across the sector, looking at variances from that and beginning a program of tackling them.

We've done that to some degree in local regions, that is, some of our local offices have a reasonable grip on typical costs and that has been part of the annual budget discussion. In the larger regions, and particularly in the larger operators, who are dealing with a very large volume of budgets and complex market conditions, we have not been as thorough and as norm-based in looking at operating costs.

1600

The second point I'd make is that there are things here that need addressing and in this year's work plan for the program review in fact I think we've retained some outside help to look at some of those issues. I believe there are things we should be tackling in operating costs in the way you've raised it.

At the beginning of your question, you asked again about trying to compare our capital costs to what happened in the private market. When Toni Farley was talking earlier, she used a graphic image trying to compare curves. The private sector costs went up higher and crashed more dramatically in the land component, but they also did in other respects as well.

The market conditions are extremely hot and so people—there was a time in Toronto when condos were \$300 a square foot, more in some places, to buy, which is way beyond any cost structure we ever reached. So the private sector curve in looking at condos did this; ours went more like that—a different shape to it. It's difficult to directly compare the nominal value of points on the line. There should be some resemblance to that; ours should turn when theirs turned, and this is the question Mr Peters was alluding to before.

The question of the \$106,000: The \$106,000 in Royal LePage is not a market-based number; it's a theoretical construct called an estimated replacement cost. It's a number often used in real estate to make assessments and judgements about investment in one thing or another.

I think in comparing \$106,000 to \$134,000, you're comparing an apple to an orange. What you should compare, what the auditor tried to get at, what we tried to get at and what we need still to fully get at, is a way of tracking the components, not just the general. I said this morning that the MUP capital cost control's a very blunt instrument. We need to be able to track its major components: land, construction costs per square foot, carrying cost in the interim, which comes to the length of the planning process, and to be able to track those in relation to market conditions.

We do some of that now. In some regions I think we do it very well, in some places we don't do it quite so well, but that's what we're trying to do. The period of time we're talking about, our land prices were either comparable to or below condo land prices; our construction prices were comparable to private sector construction prices; our soft costs showed a lot of variation—a significant number of them were above private sector experience for the reasons we've just touched on. But that's the comparison that has to be made; that's the comparison that makes sense. The \$106,000 was not an actual market-based condition; there were no condos in Toronto for sale for \$106,000 in 1990.

The Vice-Chair: I just wish to advise that 10 minutes are up. Ms Poole.

Ms Poole: I just want to make one last comment and then Mr Callahan has some questions. I didn't trust that study either, because if it's the one I'm thinking of that was released—I believe it was April 1991, the ministry study?

Mr Burns: The ministry staff are nodding, so I think that's the date.

Ms Poole: Yes. I remember it well, because we were in the middle of rent control hearings at that particular time. Anne Beaumont is nodding her head yes. Yes, we all remember that too well—

Mr Burns: We've talked about this one before.

Ms Poole: —including Mr Tilson. When we looked at that report we found out that the original report in fact had not been commissioned for the purpose the update was used for; that it was an update; that Royal LePage had been given six days to complete the update, and they basically had a letter that disclaimed any responsibility for the accuracy of it.

That's why I went to a couple of developers and said, "Tell me what it would have cost for an 800-square-foot, two-bedroom apartment in 1991." The first thing they said was: "Well, quite frankly, we didn't build 800-square-foot apartments, we built 1,000-square-foot apartments and we paid \$115,000 to \$120,000." They said \$106,000 was definitely in the ballpark of what they would have paid, and they looked at a number of different projects.

While I would not like to rely on that particular ministry's study for much else, it did appear to give a reflection of—

Mr Burns: And you're talking about all costs, land, construction, soft costs, marketing, developer profit, the whole package?

Ms Poole: Yes. That's what I asked them for. I said I wanted everything—

Mr Burns: In the Toronto market?

Ms Poole: —including the profit margin—land in the Toronto market.

The Vice-Chair: Ms Poole—

Ms Poole: Yes, we're eating up his valuable—

The Vice-Chair: We're cutting into the next 10 minutes. Unless there's agreement, I have to move to Mr Callahan. I apologize for that.

Ms Poole: I'd like Mr Callahan to—

Mr Callahan: I want to go back, if I could, to what I think is a very important question, particularly since I understand it's still policy of the government. I'm reading from the explanation of "highest and best use," which I understand becomes the basis of valuation of a property. It says, "This basis is the acknowledged concept of valuation of land, either vacant or improved, and the Ontario government official policy for selling or purchasing property."

Now when I look at that statement—I don't know whether you have it before you—but on page 2 it gives certain criteria or conditions for exercising that policy, and it says, "A property's highest and best use must be physically possible, legally permissible, financially feasible and maximally productive."

I look at the auditor's report and I see in one instance a rental apartment building which was rejected for conversion to condominiums by the municipality and was subsequently offered for sale as a non-profit project. The highest and best use appraisal assumed that the building could be converted to a condominium, which resulted in the ministry paying \$1.5 million more than the appraised market value.

I suggest to you that this flies right in the face of the whole conditions that have to be fulfilled in terms of using the highest and best use, namely, that in that case it was not legally possible for it to be a condominium because it had been rejected. Yet \$1.5 million more was paid for that than the appraised market value. That's the first one. These are all in the auditor's report.

The second one I looked at was another building with an appraised market value of \$5.7 million, acquired for \$7.9 million. The highest and best use price was based on a municipal zoning provision which allowed for intensification of social housing projects. Here's the real hooker: "To intensify the site, two additional storeys would need to be added, but this would have been neither structurally sound nor economically viable." Again you've contravened the question that one of the conditions of using a property's highest and best uses was that it was physically impossible to have accomplished this so-called, mythical highest use of that land.

If nothing more comes out of this committee hearing than the fact that the government of the day should say that policy is bogus, if it's not rejected by the government, then

I'm certainly going to start dealing in land deals with the government. You're going to get a great deal. You could tell them they could build Wonderland on that property and they'll buy it at its highest possible value. That's in addition to the one we talked about this morning, where you paid \$250,000 per acre and a non-profit group paid \$2.85 million for less than two acres of land and made itself a quick profit of \$2.3 million of taxpayers' money.

For God's sake, if the minister's listening—I'm not sure if it's she or he any more—she will realize that the use of this policy is great in what is called "expropriations," where some government body comes in and says, "Mr Callahan, we need your house for a highway widening. We're going to take it from you," and I say, "Hey, look, I've been living here 20 years and I like my house." That's where the Expropriations Act says that you get the highest possible value for that house because it's being taken without your consent.

1610

But surely to heaven, when you're doing the non-profit thing, particularly in a soft market—in a hot market I can buy it—you should throw that right out the window, because there are so many buildings out there and there are so many pieces of land, I'm sure, that have been zoned for this type of thing that you can cut your own deal. I suggest the Ministry of Housing start cutting its own deals instead of cutting the deals at my expense and that of the taxpayers of this province. I really find that objectionable.

Finally, I'm told by the auditor's report that consultants' fees are based on the whole ball of wax. I have to look at that deal where you paid \$2.85 million for less than two acres. If the consultant's fee on that was on the whole ball of wax, you've added a great deal more money to the—or I guess it's included. That's a significant amount of money. Architects do that, but I don't think consultants do it and I would want to check into that. Maybe the auditor can tell us whether consultants normally apply a percentage to the entire thing—land, buildings, the whole thing. Is that the normal practice?

Mr Peall: I don't know if it's normal practice for development consultants. Maybe the ministry can answer that better. For architects, though, I understand it's a percentage of construction costs only, so it's irrespective of land value, which shouldn't obviously affect their fees. It doesn't affect their work.

Mr Callahan: So the architect makes out worse than the consultant. Maybe I can ask you: Is that the policy of the ministry, that the consultant gets a percentage on the whole ball of wax?

Mr Burns: Mr Callahan, you've asked a number of questions. Can I address them all, or how would you like me to respond?

The Vice-Chair: I think I have something to say about that. There's probably about a minute and a half remaining in Mr Callahan's time.

Mr Callahan: Fine. I have no further questions, but I think maybe he—

The Vice-Chair: Summarize your response on that.

Mr Burns: Yes, I will sail through this. The first two examples mentioned involve a public agency and not development consultants, for starters. In the first case, the site was fully approved for condominium development. It predated the Rental Housing Protection Act; there was no issue of preventing conversion. The assessment was done on real market conditions.

Mr Callahan: Excuse me. Are you saying the auditor's report is not correct and that they are misleading us in that regard? Is that what you're saying?

Mr Burns: I'm not saying anything one way or the other about the auditor's report. I'm answering a question that you asked me.

Mr Callahan: No, but that's what the auditor's report says. He says, "...had been rejected by the municipality for conversion to condominium."

Mr Burns: That's true, it had. But in that era, you could take it to the Ontario Municipal Board, which had happened, and there was a fully approved condominium development for that site. I know this site extremely well. The owner of the site in effect forced the city building official to issue all the necessary permits.

On the second site—and that was also a reasonably hot market, as the second site was purchased in a reasonably hot market—in that particular case, the development on the site did not take full advantage of the development rights on the site and so the appraisal simply acknowledged that, as it should have.

The third case we discussed briefly this morning. I won't repeat it.

On the question of fees, we did touch on them this morning. The fee guideline, which is up to 2%, is something that derives from assessments done in the context of the federal program some years ago. As I told you this morning, we have moved away from accepting guideline-based submissions towards real work plans and real costs. The reality is that for that budget line we are committing at 1.4%, I think, not the 2% guideline, significantly below it, because we are, as we are in all costs, pressing down. Is that my minute and a half?

The Vice-Chair: We've run out of time. Thank you very much. Mr Tilson, you have 20 minutes.

Mr Tilson: I'd like to talk about the issue of reserves. Obviously, as I understand it from ministry policy, reserves are set aside each year for purposes of future maintenance.

Mr Burns: Yes. The reserves are to be set aside to help fund a major maintenance or renewal project that may be needed in the future.

Mr Tilson: Could you explain that, like what moneys are set aside each year? I understand the moneys for this year were cancelled.

Mr Burns: Yes, we've put a two-year moratorium on general funding of replacement reserves as part of our cost containment program. The guideline has been 0.65% of capital costs for essentially the three programs we're discussing here; it's an annual set-aside.

Mr Tilson: I guess the question is quite obvious. If we set up non-profit housing, assuming that there are going to be maintenance costs probably the year after the darned things are built if they're like any other buildings, you'll need to spend major moneys in due course. Can you explain what's going to happen if you've cancelled these reserves?

Mr Burns: Let me just make three broad points in relation to the question you raise. While we suspended contributions to replacement reserves for two years as a part of our cost containment exercise, we did retain some program funding for those people who had an urgent need for some financing for major renewal in that period of time. So for those people who may have had that need in the short run, we did set aside some money.

Secondly, most of what we're dealing with here, of course, is relatively new stock. I'm certainly not suggesting that there shouldn't be contingency funding set aside for renewal in the long term, but given our need to contain costs in the short term, we made a decision to suspend these contributions for two years. In the interim, we're looking at a number of measures for that budget line that may lead to a somewhat different set of practices in the future.

The first question is, why 0.65% of the capital costs? Does that make any sense? Should it be higher or lower? Should there be a variation? Should one kind of building, one with an elevator or one that's older, perhaps have a larger reserve than another?

Second, we're looking at some of the issues surrounding the management of replacement reserves. At the moment we place very strict and conservative rules around how those funds can be invested and what kind of return you get on them. It may well be that we can make a significant increase in the amount of cash available in the general system for reserve funding by a more market-based approach to the management of the funds. All those issues are things we're discussing with the major associations of people who manage social housing.

Mr Tilson: Mr Burns, the reason I raised this is that I find it ironic that some of us got to know the Ministry of Housing officials during the rent control hearings, and we all remember how it was suggested by the current government that perhaps landlords should be forced to put aside reserves for capital expenditures such as roofs, appliances and other items that would deteriorate.

Of course the landlords said: "There's no way we can afford that. We haven't got the money for that. We're in a recession." It's just a passing comment that it's rather ironic that the government itself has now put a moratorium on the very thing that it was recommending that the owners of the private stock in this province do.

I guess one of the concerns I have is that if you don't allow for these sorts of things—and they are government buildings, notwithstanding the fact that they're owned by non-profit housing corporations. I've heard it suggested that the principle of non-profit housing is wonderful: You have this initial financing, but they're going to be paid for in X number of years. They're going to be clear, and the

non-profit housing corporations will have these buildings that are completely paid for.

The difficulty is that it's going to be like any other stock in this province. I think 70% or 75% of the private stock in this province is 20 years old or more and it's falling apart. That's why we've got into all this mess with housing. How are we going to get them fixed up? Yet the government itself is getting into non-profit housing. Are they going down the same road that the landlords have already been down?

1620

People in private enterprise are very expert in this thing; they're very qualified to deal with all of these subjects. Are we going into a non-profit housing philosophy knowing full well that there's going to have to be substantial maintenance? I don't know what the life of a roof is or the life of a parking garage. I'm trying to think of things that non-profit housing may have, depending on the structure. They're all going to have major capital expenditures. Where is the money going to come from? The answer is that it's going to come from the taxpayers. My question to you is, knowing what private enterprise has achieved or has learned, perhaps the hard way, can you recommend that the government continue in this philosophy?

Mr Burns: Can I recommend that the government continue in which?

Mr Tilson: The philosophy of non-profit housing, knowing that the issue of maintenance is going to get completely out of hand. The private enterprise people have learned that, and they've learned it the hard way, particularly when they now have rent controls which limit them specifically from getting into major capital improvements.

Mr Burns: The philosophical question of what's an appropriate government supply program I think is a question to be addressed by the cabinet and in the Legislature. I don't want to comment on that.

Mr Tilson: I appreciate that, but you must be able to advise the government on the whole subject of capital expenditures. That's why I started off on the subject of reserves. We have reserves to make capital expenditures, and yet there's a moratorium on them. Presumably if you're advising any government—it doesn't matter what philosophical faith you are—the question is that the money's got to come from somewhere. I don't know whether anyone has done any studies on this, but private enterprise sure can talk about it. We sat through, I don't know, two different sets of hearings on this whole subject.

Mr Burns: I think I indicated in my response to your first question that in the period of the moratorium one of the things we are looking at is what is an appropriate guideline for the buildup of a reserve. The 6.5% was not rooted in private sector models or in engineering assessments; it was a pretty rough-and-ready guideline. We do need to reassess that and come to a point.

The government of the day, when the moratorium is over, will deal with its options in terms of whether it starts funding replacement reserves in the former format, in a new format, at all or whatever happens to be. The question of access to capital to do major overhauls when buildings

need them is a significant issue in the non-profit sector. It's a significant issue in public housing. You may well know that in public housing there are no replacement reserves; that's not the way it was set up. The Ontario Housing Corp has no replacement reserve, so in fact has to deal with its major renewal issues on a debt basis or restructure the way it spends its cash.

Mr Tilson: Mr Burns, I would submit that we're going to have problems in the non-profit housing, the maintenance of these buildings, many of which are fairly new. They're going to age and deteriorate very rapidly. Someone's got to pay for these things.

Mr Burns: Let me say one more thing about that. It touches on a question that Ms Poole was asking earlier. We consistently spend more money on annual maintenance and on preventive maintenance systems in the social housing sector than they do in the private sector. Will that fully answer every issue downstream? I don't know.

Mr Tilson: I found an interesting comment that you made this morning, that the policy of non-profit housing can create vacancies—I forget who was phrasing that—in certain areas if you don't have proper assessments done as to the need in specific areas. Your response, if I can quote you properly—I made notes; I think this is what you said—was that this was healthy, that the issue of vacancies is healthy.

The difficulty is, healthy for whom? It's certainly not healthy for the private individual who's trying to put up housing and make a living and keep these places going if they are vacant. We're getting into the issue of capital costs, capital expenditures. They don't know where their next dollar's coming from. If you have the government coming along in competition with them, there's no—I asked that question of you specifically about your chart this morning. I'll bet you there are hardly any private enterprise apartments being built in the province of Ontario today. Every individual, whether it's conversion from condominiums or whether it's whatever, is going into non-profit housing, because the government is the only one that can afford this stuff. And why? Because it has a big bankroll behind it.

Hence, Ms Poole is quite right, when we start looking at the operating costs comparing the Toronto private rental to the non-profit. You're going to drive these people out of business. I'm not asking you to make philosophical comments, I'm asking you perhaps the same line of questioning that Ms Poole has. If you look at these figures, anyone with common sense will realize that the private enterprise person simply won't survive with that competition. Hence, you're going to have a greater problem.

Mr Burns: Just to touch on history again, every government housing policy that I'm acquainted with in this country and in others has taken it as one of their objectives to create a competitive market, by which they mean choice, and in the rental sector a level of vacancy that's adequate to produce competitive conditions. I've never seen a policy statement by anybody that said the object of the policy is to bankrupt a whole lot of people, but I think some level of vacancy is a healthy thing in a marketplace.

It does give choice and it does discipline all the participants in that marketplace to deal with their costs and provide good service.

Mr Tilson: Mr Burns, I can assure you, and you know perfectly well, that there certainly are no vacancies in non-profit housing. The vacancies are all in the private enterprise. There's an article from the Hamilton Spectator in December which talked about this very problem. It came from Dundas, and it talked about the rental restrictions imposed by provincial regulations.

"Although waiting lists for apartments and town houses continue to grow, organizations such as the Dundas Valley Non-Profit Housing Corporation are unable to accommodate the more needy when vacancies arise. The corporation's Motherwell Mills family town houses on Hatt Street, for example, must maintain a mix of low-income and higher-income families, which means that many of the vacancies are not available to the poor. It could be 1994 before a vacancy is offered to low-income families."

So in non-profit housing they're not having any vacancies; they can't lose. But the private enterprise is having all kinds of vacancies. Yet you look at these figures and it's inequitable. I guess that leads to another area of questions, specifically with the Dundas area, that I would like to canvass with you.

The requirement of the ministry to have a mix of tenants with different income levels: I understand the principle of that; it's to ensure that low-income families are not isolated from the community. I understand that principle. The difficulty with that, of course, is that the whole principle of this type of non-profit housing is to help the needy, to help the single-family mothers, to help the seniors, yet we've got a whole slew of these people on waiting lists. In this particular example, it's going to be at least 1994 until it's offered to low-income families. Some of the seniors will be dead by that time. I'd like you to talk about that principle of non-profit housing. Is it equitable to be giving a certain percentage of housing, paid for by the taxpayers of this province, to individuals who don't need it?

Mr Burns: You've touched on a whole variety of subjects. Let me perhaps touch on three aspects of it. I said this morning in my review of the history of housing programs and their delivery that 1972 to 1974 was a watershed and that the country as a whole abandoned 100% households in poverty approaches to publicly supported housing and replaced them with a mixed approach. The mixed approach was entrenched in the 1973-74 amendments to the National Housing Act and have been followed in all the national programs and provincial programs since. Their object is to create healthier community conditions than the former model has. Their object also was to switch the key responsibility for providing publicly assisted housing away from large government agencies and towards organizations based in the community, which almost universally advocate the mixed model to community building and healthy communities.

1630

Third, all the non-profit programs from that point on are not just intended to address poverty; they are intended

to address questions of general supply of housing—broader spectrum—and questions of community building, healthy communities.

When you put that many goals in one mix, you can get tensions. I accept that. There are tensions between those different goals. But this program we're talking about today was designed on those same broad policy principles and was delivered on the basis of those principles.

The Vice-Chair: Mr Tilson, if I may, you have a couple of minutes remaining.

Mr Tilson: The Provincial Auditor has certainly not been very kind to the Ministry of Housing with respect to how it is operating the non-profit housing programs: It's being wasteful and, I would submit, in many cases negligent. I can tell you that as a member of this Legislature who hears concerns from my constituents on a weekly basis, the poor, the single mothers, the abused women, the seniors are on waiting lists. They can't get into these places. You're not building enough of them. Yet can we afford to build them? Can we afford to keep building them and maintaining them? Is the system appropriate to proceed on that basis, particularly when you look at the unbelievable costs?

From the moment someone has the idea to put a non-profit housing unit in a particular area, when you go through consultants and go through incorporating of non-profit housing corporations, go through zoning applications and possibly going to the Ontario Municipal Board for appeals, and go through all the other business that's required with municipal people and the costs of hiring other people, planners, the costs of working out partnership arrangements with developers and the non-profit housing corporation and the legal aspects of that, or just hiring someone—that's even before you put a shovel in the ground—the cost is unbelievable, all of that money. People are coming into my office wondering why the heck they can't get into these places and why they're having to live in substandard housing. Then they look at all these costs and they look at these reports from the Provincial Auditor and they shake their head.

I agree that there's an issue of policy, but I believe that you as an administrator have an obligation to tell this government that it's going in the wrong direction, that we can't afford it.

The Vice-Chair: Thank you, Mr Tilson. Your time has expired. I will move on to Mr Hayes, who is first on my list.

Mr Pat Hayes (Essex-Kent): I can't help but address the comments Mr Tilson was making. He asks whether we can afford it. I don't think we have any choice. We have a lot of vulnerable people, a lot of handicapped people and a lot of senior people, and we can't afford not to take care of those people.

Mr Tilson: On a point of order, Mr Chair: That isn't what I said.

Mr Hayes: I'm just making my comment, that's all.

Mr Tilson: You can make your comment, but don't start putting words in my mouth saying that I'm uninterested in those people. I'm simply saying that the process

you're using is wrong. We have suggested another policy of shelter allowances, and you know that.

The Vice-Chair: Mr Tilson, Mr Hayes, First of all, that's not a point of order.

Interjections.

The Vice-Chair: Order.

Mr Tilson: Don't start putting words in my mouth.

Mr Duignan: That's your leader's solution.

Mr Tilson: That isn't what my leader said either.

Mr Hayes: We can't afford not to afford.

The Vice-Chair: Can I call order, please.

Mr Tilson: No, you haven't even tried. You won't even—

Interjections.

The Vice-Chair: If I can't bring the committee to order, we're going to recess. Mr Hayes, would you keep your comments to the point at hand? Let's try not to incense other members.

Mr Hayes: No, I didn't mean to do that, Mr Chair. I think I would be remiss in not responding to some comment.

Mr Tilson: And I would be remiss in not responding to your nonsense.

The Vice-Chair: Order, please.

Mr Tilson: It's absolute garbage what you're putting forward.

Mr Hayes: Mr Chair, I'd like to ask Mr Burns a question dealing with—

The Vice-Chair: Please stick to the issue at hand, Mr Hayes.

Mr Hayes: Thank you, Mr Chair. The auditor's report alluded to the paying of the consultants, that the fee is based on the cost of the project rather than services provided, and what I heard yesterday and again today is that they do get a percentage of the total cost, including the cost of the property. They get a percentage of the total project.

How long has this been going on? Is it still going on? If it is, what is the ministry doing to correct that situation? What steps are they taking to stop this? I don't feel it is really proper that the consultants should get paid for the costs of the land and everything else.

Mr Burns: I think I touched on parts of this earlier. Perhaps to bring the pieces together, the federal government put together a series of basic guidelines for delivering non-profit housing in 1979. Based on their assessment of fundamental cost components and ways of doing business, they established a guideline of up to 2% for this function, a function that has to be played in the development of any housing project, private sector or public sector, and for some years that 2% was treated by a lot of people as a kind of norm. I know this because in an earlier life we used to derive some income from that at the municipality level to pay for our costs. That design was based on the total cost of a project, so that guideline did relate to the total cost, all in: construction, land and all the rest. Obviously in the boom conditions, the 2% rose. The question

that comes to mind is to assess whether it still makes sense in those circumstances.

I think I've touched on this a number of times, but we moved away from the practice of accepting it as a general norm to the practice of accepting real proposals for work to be done, work plans, not a guideline but a fee based on proposed services, which are costed 18 months ago, the fall of 1991, as we were closing out these programs; partly in acknowledgement of the change in market conditions that took place in 1991 and part of what we've been talking about here more generally. Since then, that has been our practice. The result is, as I've said a number of times, that that development consultant fee line is not running at 2% of our program costs but is running at 1.4%; therefore, for a number of projects, considerably lower than that.

But I've also said it's an area of practice that deserves some further discussion and consideration. So even though we've taken the steps away from using a guideline towards using real service proposals and real costs, we're going to look hard at those service components.

Perhaps I should just say one last thing about this, because there are some circumstances in which the real costs of organizing a non-profit project can be higher than 2%, and I'm sure you'll find if you look at our documents that there are ones that are over 2%. If you're doing a project which is intended to house people with severe difficulties and you have to do a lot of organizing with service providers and you have a difficult community consultation process, and if for good program delivery you want a small project, because you don't want people who have collateral difficulties beyond need for shelter to live in large numbers but in small numbers in a community context, you may well need more than 2% of the capital cost for a project to do that job right. We've taken all those steps and we're going to take some more, but it will result, I think, in an array of costs; total costs down, but in some cases up.

1640

Mr Hayes: In fact, you have taken steps, you said, 18 months ago to change that practice. I'm very glad to see that happen. Thank you very much.

Ms Harrington: I'd like to touch on three items I think are real problems and that have no quick answers, I don't believe. But it's something we have to really keep working on. I need to know where you're going with it.

The first item is problems with our regional offices. I think the problems may be varied and sundry in different parts of the province. I need to know what is being done and what you hope to do in staffing and other directions you are giving to your people.

The second problem is operating agreements. When this government came into place—I know because my colleague right here, Noel Duignan, soon brought to my attention the problem of there not being operating agreements with the co-ops and non-profits across this province. This is a problem going back, I believe, to 1986 and 1987. The previous government left us with this major problem. I need to know, are you setting dates to make sure this is in place soon?

The third item is what the auditor addressed as "tenant placement." It's the issue of access, the relationship with the local housing authorities. If a person needs affordable housing, does he have one place to go where he can access the system? My understanding, as it is now, is that it's very diverse in different communities. To quote the auditor, he says it's inconsistent at best. I would hope that over the next while that would be addressed.

I'll leave you all three.

The Vice-Chair: Do you want to respond to that?

Ms Harrington: I certainly hope he will.

Mr Burns: To tackle them in the reverse order: On access, the question of how people who may wish to live in social housing find their way to the entry point, get on the right waiting list, get proper information, was one of the major questions put to the public and discussed in the consultation round on the non-profit and co-op programs which took place in 1990-91 and led, after government consideration, to the document Consultation Counts, which itself provides some foundation stones for the new program.

As a result of that discussion, what the document says is that in the future new non-profits and co-operatives will be required to bind themselves to common access practices. That's a condition of funding. At the moment people are to bind themselves to the local housing authority for a referral process for some part of their units. We're now going to make people bind themselves to common access. If you do go to one place in your community you will know where they all are, what kind of housing they offer, how to make contact with them and how they run their access systems.

Beyond that, we are strongly encouraging social housing providers in communities to get together and look at the issue of common waiting lists beyond common door of entry to where people are. We have a couple of communities, and I think Hamilton is probably the furthest along of the large communities, where a lot of the social housing providers have banded together to create universal access. In Metropolitan Toronto we've had for some years a common access arrangement for seniors' housing that's run by the Metropolitan Toronto Seniors' Housing Registry.

Ms Harrington: May I just ask a brief question? Have you found that this is prohibitively expensive in your Hamilton project? It has to be done smoothly and well.

Mr Burns: So far the Hamilton one looks as though it can get mainly dealt with by restructuring the existing effort that's made by people to deal with access. The seniors' housing registry, on the other hand, was quite expensive to get up and running. I think the costs have now been tackled and pruned significantly. So just looking at those two models, one, at least at the opening, looks to be relatively inexpensive; one was expensive. I don't know what the final answer to the whole panoply is, but the—

Ms Harrington: I really believe that if you could get a system that works, we've got to get it in place as quickly as possible everywhere.

Mr Burns: To echo a point you made, the auditor pointed to this part of our system, as did Consultation

Counts, the public discussion of the programs. It is a priority to build on that towards a much simpler and more accessible system from what we have now.

Operating agreements: Yes, this is quite a significant problem—program administration. An awful lot of people are running on memorandums of understanding between ourselves and the operating cooperative and non-profit. We have completed the negotiation of a master operating agreement between ourselves and cooperatives, and that agreement is now in the process of execution throughout the province.

We've also laid down the framework of issues and timing to do the same thing with the non-profit providers and to complete a structure of an agreement and get it executed in the next round of work. We didn't totally expose ourselves, because most people have some level of agreement with us, but I agree with the comments you made, this is not a proper long-term way of doing business and it was a criticism made in the auditor's report, quite rightly, that we should get on with it, finish this process and replace the memorandums with full operating agreements.

In terms of regional offices, there are some important things we would like them to do in the future that haven't been so much part of the past. One is to be a bit more active in looking at local market conditions. It comes, in part, to the question we touched on before, of whether using this grand federal model is really getting at local market conditions effectively and whether we should be building a more bottom-up model, to use Mr Tilson's phrase from earlier. I think we should. That means the regional offices have to be more active in that area than they have been. Rather than just assessing submissions, they should be organizing a program of looking at those kinds of things.

Secondly, because of the tremendous growth in the number of operating cooperatives and non-profits, we've had to add staff on the operating end and I think there's quite a big need in parallel to the introduction of new operating agreements and the new program to do an intensive training program with our regional staff about those new principles and the operations of the new structures of agreements.

In addition to being more active, if you like, at the community level looking at housing market conditions and strategies, we also are going to undertake a major training program for our own staff to make sure that, as the new program comes and as the operating agreements move into place, we are completely lined up to administer them effectively.

The Vice-Chair: Might I just point out that there's approximately five minutes left and we still have two more people on the list.

Ms Harrington: Thank you very much for your replies. I should maybe mention that I was at the northern office in Sudbury and at the one in Thunder Bay and I found your staff to be excellent. In case I set the wrong tone there, I didn't mean to blanket and say everything was wrong.

Mr Tilson: You haven't done that at all, Margaret.

Ms Harrington: I want to maybe go to one further question. Mr Tilson was talking about the upkeep of the buildings and the need for renovations in the future and I wanted to ask you: After the 35-year mortgage, obviously that mortgage payment then will drop off and the rents will still be being collected. Do you see that as an appropriate time in the history of the building for major renovations? Does that look like it would be helpful and a workable solution?

1650

Mr Burns: In some cases that is a good way of dealing with the need to do a major overhaul. I know when I was at Cityhome that some buildings had needs for significant overhaul while we were still dealing with the first mortgage. Others, well built and maintained, were probably going to last 40 years. But we certainly did our long-term business planning on the assumption that some proportion of our buildings, when mortgage number one was over, would be remortgaged and that money reinvested in the building. It's at least a partial response to the question of how you get the capital to reinvest in buildings at the right time, but I don't think it's a total one, because 35 years is not necessarily the exact time when a building will need a major reinvestment.

Mr Duignan: I can't help but respond to some of the remarks by the member for Dufferin-Peel, especially around the whole question of rent supplement. A committee of this Legislature looked at a small rent supplement program that was in place in the early 1980s; I think the committee looked at it in 1981. I was wondering if the report of that committee was made available to this committee, because it came to some quite—the reason they got rid of it was, for example, that rent supplement housing is more costly than non-profit and government-owned housing. In tight rental market conditions private landlords do not renew their rent supplements. Tenants do not have the same security of tenure as in public, non-profit or cooperative housing, because the landlord can terminate rent supplement agreements.

It's very difficult for the government to project subsidy costs of rent supplement housing, so I was wondering if we could get a copy, or is this copy going to be made available to this committee so we can actually take a look at the findings of that committee? I think it was in 1981. I'm not too sure what committee looked at that.

The Vice-Chair: Can you be specific, Mr Duignan, about what report that was, what committee that was? I didn't quite catch what you had said.

Mr Duignan: I'm not too sure what that particular committee was. It reviewed the existing rent-supplement program and I understand it was somewhere in 1981.

The Vice-Chair: Perhaps our researcher could make that information available at a later date. I'll undertake to look into that.

Mr Duignan: Because it seems to me, Mr Chairman, that politics, not experience, evidence or rational debate, drives this lobby for rent supplements. It has been around; this government, in fact, has a rent-supplement program, something like \$2.2 billion administered to social assistance,

and to say that we haven't tried—in fact, we are trying it and it has been tried by previous governments in the past.

I have one quick question that deals with the cost. I know we've been hearing that you will be putting in place measures to reduce the cost of non-profit housing as part of the program review. I understand you expect these measures to save some substantial amount of money over the next few years. Could you give us some idea of what type of cost saving you're anticipating?

Mr Burns: In the case of this program, the non-profit review is a three-year program. It tackles to some degree every major cost element, capital and operating side. Our goal is to have saved \$100 million in the three-year program, and at the end of it to produce ongoing operating costs that are at least 5% lower—perhaps more—than they were actually at the beginning of the process. So in addition to the \$100 million in the three-year program, there would be an ongoing permanent saving from the restructuring in the way business is done.

In addition to that, frankly, at the moment we're looking at a number of other elements and I'm confident we're going to produce some fairly substantial savings from looking at some other major pieces of the business; for example, the way refinancing is going on and whether we

can be aggressive in the current low-interest market and save ourselves some money there. But the program review itself is a \$100-million saving.

The Vice-Chair: I'm sorry. We've run out of time. I think, Ms Poole, you had a point of information that you wanted to request of the ministry.

Ms Poole: That's right. It was actually a request for information. Members were given yesterday a single sheet called Chez News, which is a Ministry of Housing newsletter. It was just the front page, I believe, from June 1992, and it talked about the non-profit housing program review. In this one page it says, "We identified more than 30 aspects of the non-profit program where we believe cost savings can be achieved." Could we perhaps have that list, and you could maybe also update us tomorrow verbally—we don't want to have you working all night—on some of the areas where you've achieved progress.

Mr Burns: Yes.

The Vice-Chair: Thank you very much. That concludes our hearings for today. We are adjourned until tomorrow, Wednesday, 10 am.

The committee adjourned at 1656.

CONTENTS

Tuesday 9 March 1993

Annual report, Provincial Auditor, 1992	P-467
Ministry of Housing	P-467
Daniel Burns, deputy minister	
Toni Farley, manager, housing programs	
Suzanne Herbert, assistant deputy minister, housing operations	

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Substitutions present / Membres remplaçants présents:

Abel, Donald (Wentworth North/-Nord ND) for Mr O'Connor
Cooper, Mike (Kitchener-Wilmot ND) for Mr Johnson
Fletcher, Derek (Guelph ND) for Mr O'Connor
Harrington, Margaret H. (Niagara Falls ND) for Ms Haeck
Kormos, Peter (Welland-Thorold ND) for Mr Frankford
Marchese, Rosario (Fort York ND) for Mr Johnson
Poole, Dianne (Eglinton L) for Mr Sorbara
Wilson, Fred, (Frontenac-Addington ND) for Mr Hayes

Also taking part / Autres participants et participantes:

Otterman, Jim, Assistant Provincial Auditor
Peall, Gary, director, ministry and agency audit branches, Office of the Provincial Auditor
Peters, Erik, Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: McLellan, Ray, research officer, Legislative Research Service



P-28

P-28

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Wednesday 10 March 1993

Standing committee on public accounts

Annual report,
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Ministry of Housing

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

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Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday 10 March 1993

The committee met at 1009 in room 151.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1992 MINISTRY OF HOUSING

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. We're continuing with our review of the 1992 annual report of the Provincial Auditor as it relates to section 3.12, non-profit housing.

Yesterday members of the committee heard a presentation by the Ministry of Housing and we heard from the deputy minister, Mr Daniel Burns, and other senior staff members. Mr Burns and others are back today for further questions. We'll be meeting this morning and this afternoon. Unless there are any points of order, points of privilege, points of clarification—

Mr Noel Duignan (Halton North): Points of whatever.

The Chair: —points of whatever, we can get right into our questioning. Do the ministry officials have anything they want to tell us before we get started, or was all that looked after yesterday?

Mr Daniel Burns: Just to touch briefly on two questions left from yesterday for today, we will have someone here to make a presentation at 2 on the fair-share model and on the work we're now doing to try to make it more sensitive to conditions in Ontario communities.

Second, Ms Poole asked us to address the questions that we're looking at in what's called the program review, that is, the review of capital costs and operating costs, and that material is just close to being done. It's not quite ready yet. When it is, I'll ask you when you would like to deal with it.

The Chair: Maybe this afternoon. That will give you the rest of the morning to put it together. Is 20 minutes enough? Do you want more? Is 20 minutes okay? Ms Poole, 20 minutes.

Ms Dianne Poole (Eglinton): I'd like to go over a couple of things at this time that we didn't really touch on yesterday. One was the annual subsidy level for non-profit housing. The figures used in the auditor's report were quite different than those being publicly portrayed by the Ministry of Housing. The auditor, on page 127, has said there's "an average annual subsidy per unit of about \$12,500 (\$15,000 in Metropolitan Toronto)." Ministry documents I have, one of which is a speech given by Evelyn Gigantes in April 1992, which in fact was the very time the auditor had finished his report, stated that the annual subsidies are under \$9,000 per unit in southwestern Ontario. In the central region they are about \$12,500. The provincial average is \$11,300, not \$15,000 as critics claim.

We even have a more recent update. In August, we held the estimates for the Ministry of Housing and I had tabled a substantial number of questions with the ministry for answering. One of the questions related to the subsidy levels, which is somewhere in this package. Again, the ministry was using the current subsidy level as approximately \$11,000 to \$11,300 per unit per year for recent commitments. There's a trend downward as interest rates decline.

I wonder if perhaps the ministry could confirm what the current subsidy levels for non-profit housing are on an average basis, including a special category in Metro, and second, what they were at the time of the auditor's report.

Mr Burns: I think, given the detailed nature of the question, I'll make a couple of preliminary comments and then we will endeavour to collect the numbers you were alluding to.

Let me just first say that we have to be careful we're not comparing an apple to an orange here. The numbers you refer to, I believe those numbers relate to our whole portfolio of non-profit housing that we're supporting. I believe the numbers the auditor is referring to are increments to the system that were in process at the time the audit was going on. Because they came through an expensive period in terms of development costs, their subsidy levels will be higher than our general base. Third, our costs are dropping as a result of changes in conditions. Those are three general comments.

You asked some specific questions: Will I confirm our average across the whole system, will I confirm that increments to the system at the time the auditor was looking at them were in this magnitude and will I confirm that costs are dropping. I'll ask for those specific numbers to be put together and give you the second half of an answer when I have them.

Ms Poole: The reason it interests me is because the private landlord sector has been giving out numbers such as \$12,500 as an average and \$15,000 in Metro Toronto, which are the figures the auditor used, yet they do differ significantly from figures we have seen from the ministry. I'm wondering if there is indeed a rationalization for your using a different basis for comparison. Perhaps after you've answered, I could ask the auditor the same question about how they came to these particular figures.

Mr Burns: My belief is that we are looking at different universes of projects. I will test my hypothesis with our actual statistics and give you some more answers later.

Ms Poole: Okay, then maybe we'll go to the auditor, or perhaps, Mr Chair, should we wait until we have the information from the ministry?

The Chair: Is there any information we can receive now that might help us?

Mr Erik Peters: We are fairly clear in our report that we talked about the rent subsidy, and I'm going to ask Gary as to where our numbers came from.

Mr Gary Peall: These numbers are calculated from the projects that actually came on stream, so as they were committed, we calculated on a monthly basis what the subsidy would be and divided by 12 to get the figures that we had on a monthly basis.

The Chair: What were the figures again, just so we know what we're talking about?

Mr Peters: They are \$12,500 average and \$15,000 for Metropolitan Toronto.

Mr Peall: But as the ministry said, it is based on the information of the units that were being completed at the time of the audits, so that's a lot of the things that were approved in 1989, 1990, 1991 and they would have had some of the higher cost components in them. It isn't an average for the whole system; it's what was there at that time.

Ms Poole: So it's an average of what you looked at in 1991-92, all the projects you looked at, or all the projects in the system at that time?

Mr Peall: Not 1992. It was up to the end of 1991.

Ms Poole: And all projects in the system then?

Mr Peall: Yes, under the new non-profit program, like 1986 on. I think you were mentioning that there are other non-profit projects. The deputy was mentioning there are other non-profit projects that weren't part of our audit.

Ms Poole: For instance, some of the federal-provincial projects that were prior to 1986 would be factored into your numbers, but not necessarily the auditor's?

Mr Peall: That's right.

Ms Poole: Would that be an accurate way of stating it?

Mr Burns: That may well be true, and I'll just check on that. That's my belief.

Ms Poole: So it may not actually be that one set of numbers is inaccurate and another is correct; it may be that they're just dealing with two different things?

Mr Peall: Yes.

Ms Poole: We'll look forward to receiving those numbers later.

One of the things we haven't touched on yet, which is a fairly serious one, is the operating agreements, which are really the mechanism for establishing accountability between the ministry and the non-profit groups. There has been a major concern that these operating agreements are not in place. I would like your comments on that particular section of the auditor's report which is contained on page 134 and part of 135.

Mr Burns: We agree that this is quite a significant problem. I touched on this briefly yesterday, but perhaps, just to give a little bit more material, we have completed negotiations with the cooperative housing sector for a standard operating agreement, and that agreement is now in the field for execution by all of the people who were funded under that arrangement.

We have also created a work plan to finalize our negotiations and the basic operating structure with the municipal

and private non-profits. That work is going on at the moment. So our goal is to have dealt with this situation in this year.

I should say one other thing about the current situation. Most people are operating with some level of agreement with us. Just about everybody has a memorandum which covers the basic terms of our relationship in the interim until there's an operating agreement. The auditor said that this is not a perfect instrument, and he's right. So it is a priority of ours to replace them with full and proper operating agreements.

So just to go back to the beginning, we agree this is a weakness and we're addressing it.

1020

Ms Poole: I think it's some four years since the operating agreement concept was introduced and I just haven't heard any really satisfactory explanation for the delay. What are the types of difficulties that you're encountering? You say, for instance, that you have reached an agreement with the non-profit cooperative sector but not with the municipal non-profits. Could you tell us something about the rationale for why it has taken four years and we still don't have those in place?

Mr Burns: A decision was made four years ago to begin by doing a cooperative operating agreement and then to go on and do the municipals and privates after. There's nothing dramatically wrong with our discussions with the municipals and privates; it's just that there was a sequencing set up at the beginning. Several processes—not several; it's been one process. There have been several efforts to close this discussion over that period of time, but we've only finally closed it in the last number of months.

Ms Poole: Could the province have moved unilaterally in some of these cases where you were having difficulty reaching an agreement or would that have posed its own set of problems?

Mr Burns: It certainly would have posed problems. I suppose in extremis—if somebody just refused to bargain in good faith or to adopt an operating agreement, we could simply withhold our subsidy flow. But I don't read the history of this as bad faith, just several efforts to come to grips with some difficult issues that didn't fully mature.

Ms Poole: When you were reviewing the costs of the non-profit program, the information you'll be giving us later today, did you touch on the whole operating agreement scenario or is that done separately?

Mr Burns: The absence of operating agreements is a well-known fact of the system and all the parties to the process, whether the operating non-profits or cooperatives through the ministry or—the operating non-profits' own auditors all wanted that issue closed. There has been a process under way in the ministry for some time to address it before the audit report, but we've only closed the first part of it in the last number of months.

Ms Poole: Do you have a target date for when you expect the municipal non-profit sector to have that operating agreement under control?

Mr Burns: What we've talked about is completing the negotiations on the structure of the agreement by July.

If that succeeds, then the execution will take place in this year which, as I said before, is our general goal, to clean up the rest of it.

Ms Poole: I have some other questions, but I think my colleague Mr Cordiano wants some at this time.

The Chair: You have eight minutes.

Mr Joseph Cordiano (Lawrence): I wanted to go back to a couple of areas and I'm not sure we touched on those. Again, one happened to be with regard to the long-term liability undertaken by the government in the form of guarantees for securing mortgages on these various projects. Do you have an accounting of what, to date, is the liability that would accrue to the provincial treasury for all of these various projects in the form of guarantees for the mortgages?

Mr Burns: They're not guarantees in the sense that the Treasurer issues a loan guarantee to surround a commercial transaction; it's embedded in our agreement to support operating costs under the terms and conditions of the program. That's one part. The second: What is the total volume of financing that's on the social housing sector out there and what's the total value of the mortgages?

Mr Cordiano: Not really. What it really comes down to is this: the point is, the government, if these mortgages are in default, would then guarantee payment on those mortgages. Really, I'm trying to make the point that there is a contingent liability for the government.

Mr Burns: There have actually been a couple of cases where operating non-profits and cooperatives have failed, in financial terms, and they have been, in effect, taken over. What has happened so far is that they've been rolled to another non-profit or cooperative operator and refinanced, essentially, to make it an ongoing, viable project.

Mr Cordiano: The point I'm trying to make is with regard to some of the comments that have been made in the auditor's analysis that some of the projects are being subsidized far more than had originally been anticipated. I forget the passage in the report, but there were comments with respect to some of these subsidy levels having reached 64% to 80% of the occupancy, so that you had a very small proportion of the rest of the units that were basically at market level or with no subsidy at all.

Do you understand what I'm trying to get at? What that causes, eventually, is an ongoing operating cost in the form of subsidies for the government, and you're not getting the market rents that were, I would imagine, factored into the overall financial picture of those buildings.

Mr Burns: I think I touched on parts of this yesterday, but over the period of 20 years that we've had non-profit programs, there has been a steady movement away from a relatively small proportion of households in poverty on rent-geared-to-income arrangements—in the first generations, it was about 25%—to a much higher percentage. We're now running about 75% of households getting some level of rent-geared-to-income support.

Mr Cordiano: In non-profit units?

Mr Burns: In non-profit cooperative housing, yes.

Mr Cordiano: That speaks to my point.

Mr Burns: Some of them are higher, up to and including 100% in some circumstances. The federal government in particular has wanted to move as strongly as it can in that direction and focus the program as much as possible on households in poverty. That does raise, as you just said, the annual amount of subsidy that's required to support a particular project from the format that was used 20 years ago.

On the question of what happens if there's a default, up to now the practice has been to seek a new non-profit operator to continue to operate the project under the broad framework, rubric, of the program.

I suppose it's theoretically possible that you would want to sell the project at the end, and at that point the mortgage would be retired by some combination of the sale price of the project and the residual liability of the province. But I personally think it's unlikely that will happen. Because of the financial stake everyone's had in creating housing to service a particular community, you'd want to continue that.

Mr Cordiano: In effect, what I'm trying to say is that the financial viability of some of these projects is very much dependent on a continuation of the rent-geared-to-income continuing at that level, 75%, or even 100% as you've suggested, of some of those buildings. That's obviously a concern because you're now talking about operating subsidies accumulating and increasing over time. In addition to that, you've now changed the circumstances, actually. When we were the government, the whole notion behind non-profit cooperative housing or projects of this kind was to have integration from groups of all income levels. Obviously, that's changing the mix quite radically now. Where you have an entire building being subsidized, obviously you're not getting the mix that was intended. Is that now a new approach the government has undertaken with respect to the policy, or is it a consequence of market conditions being what they are?

Mr Burns: The shift came some years ago. It's not recent. Partly it was a response to market conditions. The gap between—

Mr Cordiano: When did that shift occur, exactly? Because as far as I'm concerned, when we initiated some of these programs—

Mr Burns: In the mid-1980s in the federal-provincial program and in the provincial program.

1030

Mr Cordiano: I don't think that's accurate. I would question the accuracy of that statement. As I understood it, when we initiated the programs in the mid-1980s, the intention was to have a mix, an integrated housing policy.

Mr Burns: Perhaps, Mr Cordiano, if I could go on and address that question as well, then I could give a complete answer.

As the gap grew between economic rent and market rent, the response in the funding of non-profit housing was to change the eligibility rules for some level of rent support. So when I say that 75% of the households have some access to rent-geared-to-income, I do not mean that those households are 100% drawn from the poorest households in society, as they are in OHC.

Mr Cordiano: I understand that.

Mr Burns: It is banded. What's been the practice in all non-profit programs, federal-provincial and provincial, since the mid-1980s is to have what is called a targeting plan which bands the households economically, which results in a mix at the end of the day.

You might, for example, have 40% households in deep poverty, 40% households of quite modest incomes and 20% at the market rent level. At the end of the day, the distribution of incomes, the household composition that has created, is not a whole lot different than what was created 15 years ago under the first program formats.

But that banding and targeting plan approach has been in place in the federal-provincial program and the provincial program since the mid-1980s.

Mr Cordiano: That really wasn't the focus of my question.

The Chair: Sorry; time's expired. You'll have to pursue that line of questioning in the next allocated round of time. Mr Tilson, 20 minutes.

Mr David Tilson (Dufferin-Peel): I still have a concern over issues that were raised yesterday, and that has to do with the information that is coming from the ministry and the information that's in the Provincial Auditor's report. Some of the topics we've already discussed and I trust will be clarified soon, and they are the items with respect to the construction of units as being \$135,000 per unit as opposed to \$158,000, which are the figures of the Provincial Auditor. That is what we discussed yesterday.

There are other topics, such as the cost that the ministry is paying for existing units. The ministry says \$63,000; the auditor says \$70,000. The more important figure, which I have a lot of problem with, is, the Provincial Auditor has indicated that there is waste, in the entire non-profit housing system, of \$200 million. That was presented when the Provincial Auditor made his report. The minister, Ms Gigantes, back in December, in a question from the leader of the Progressive Conservative Party, Mr Harris, acknowledged many of the issues the Provincial Auditor was raising.

When we look at Hansard, which has been given to all members of the committee, on December 1 she said, "I think the point he makes is a good one"—referring to the Provincial Auditor—"and that the maximum unit price which was suggested for the programs, particularly in the high-cost Metro area, was one which was not sensitive enough, and in fact we are working very hard now to make sure that the new program design will reflect not only increases in maximum unit price, but decreases." There are other areas where she acknowledged the concerns of the Provincial Auditor.

Then of course we got a letter addressed to this committee, which was dated March 5. I'm going to be referring specifically to page 3. This has to do with the \$200-million waste issue. Mr Burns, your ministry has said:

"Most of the \$200 million was attributable to the indexes and methodologies employed by the audit. The auditor's analysis converted all of the units into two equivalent units. This, as demonstrated above, substantially inflates the actual cost of housing." Then you go on to other

items. I'm sorry, this is at the top of page 3. Then you go on to other statistics. As I say, some of this we discussed yesterday and some of it we haven't. Then in the concluding paragraph on the bottom of page 4:

"Taken together, the ministry has estimated that these factors explain about \$180 million of the auditor's \$200-million estimate. In the ministry's view, this analysis shows that we did not pay the substantial premium, as concluded in the audit."

I have a lot of problems with all of this. We have the minister back in December saying there are problems. Then we have a letter that was just dated a week ago or two weeks ago, whatever, saying that the ministry has concluded that the figures the Provincial Auditor has aren't correct. Notwithstanding the fact that there's still \$20 million of waste—you are acknowledging that, that there's \$20 million of waste—you are saying: "No, it's not \$200 million of waste. In fact, that should be subtracted by \$180 million."

I have a lot of problems with the Provincial Auditor saying one thing, the minister agreeing with that and then the ministry staff coming along in the first part of March and writing a letter to this committee saying, "Well, it depends on how you look at these figures." I would like to hear, first of all, from Mr Peters or a member of his staff on this issue. I'm being very general because we're talking about a number of issues.

Quite frankly, the Ministry of Housing has challenged the Provincial Auditor's report; that's the way I look at it. I would like the Provincial Auditor to inform this committee and particularly to comment on the remarks made in the letter of March 5 addressed to this committee, specifically pages 3 and 4.

The Chair: Mr Peters, did you want to respond?

Mr Peters: Yes, I'd like to address that point. What we did use in our report was a model. I believe that what was stated on March 5 was, again, one actual example and also some modelling on behalf of the ministry. I believe this can hopefully be put to rest now that we're about a year past that.

I would like to ask the ministry, essentially, if it could provide, for the years 1989, 1990 and 1991, the actual cost by unit—by type of unit, that is; whether it's a hostel bed right up to if it's a three-bedroom whatever—and if March studies are available that show what the private sector cost of those units was in those particular years, so that the committee will have an idea what the actual cost incurred by the ministry was in this non-profit housing area, and at the same time be provided with some idea what the private sector was charging for similar years.

There was another offer made by the ministry in yesterday's presentation in which you said that you would like to get together with us on a model. I'm becoming increasingly concerned about whether we will actually develop a model. Ultimately, we'll find a model that everybody will challenge again. It may be best to just deal with actual information. As you know, that actual information was simply not available to us when we did the audit, even for the other years. Even in the presentations now, there are models used in samples. It may be for the benefit of

everybody if we really have a picture of what the actual situation is. We'd be willing to cooperate and look into that with you.

1040

The Chair: Does that answer your question, Mr Tilson?

Mr Tilson: I'm becoming more and more alarmed about this subject. It appears that the ministry is terribly unorganized on this subject, which is a very expensive project, the whole subject of housing.

The Chair: Could I ask, Mr Burns, how long it would take to compile the information the auditor suggested?

Mr Burns: At a minimum it will be days, not hours. This is one question that I don't think I can agree we can answer in the 24 hours left in these discussions. But I think the way the auditor framed the question is quite right. We should be operating with actuals rather than modelling. We can access the real numbers and break them down in the format he suggested, but it will take some time to do it in that way. I would like to do that, following on the kinds of questions that were asked yesterday.

The Chair: If that's the case, then we may have to revisit this specific item some time in April when the Legislature convenes.

Mr Tilson: There's no question, Mr Chairman, that I believe this information should be made available not only to the Provincial Auditor's office but to this committee.

The Chair: Absolutely. It's a request of the committee and the auditor understands it.

Mr Peters: That was my request, that it be made available to the committee and that we would work together on it. Could I add another information piece that relates directly to the question you asked as well?

Mr Tilson: Yes, thank you.

Mr Peters: The other point that was raised was the entire question of adjusting the maximum unit price also to the actual cost. I think Ms Poole raised that question yesterday and I think there was something in the question Mr Tilson raised on that. Again, there may be some worthwhile clarification because, even looking at the slide presentation of yesterday, there is one slide which relates the achieved prices in relation to MUP, which shows about a 10% maximum drop from MUP in the later years, in 1991-92.

At the same time, there was a slide presented that showed that the private sector cost of comparable units had dropped by 25% in that time. It may be worthwhile if the ministry could also provide some explanatory comments on that difference.

Mr Burns: We'll get you the information on that, sure, as much as we can.

Mr Tilson: Thank you. Mrs Marland has a brief question.

Mrs Margaret Marland (Mississauga South): First of all, I want to give my apologies to the committee. I was scheduled to be here the first two days of this week as the Housing critic for our party. Unfortunately, I had to attend a funeral in England of a beloved family member, so I regret that I'm coming in today having missed two days.

But I'm very concerned, just in the last statement by the auditor where he said that the actual information wasn't available when they did the audit. How can the auditor be expected to do an audit if actual information isn't available?

Mr Tilson: It's still not available.

Mrs Marland: It's unbelievable. How can the Provincial Auditor go into any ministry and have to deal with models instead of facts? This isn't a fantasy land we're dealing with; we're dealing with millions and millions of dollars of taxpayers' money. In spite of the fact that all that money is being spent, we still have thousands of people who need housing. I want to know why the figures weren't available. I want to know today why those figures were not available to the auditor when they did the audit. Why did they not have actual information?

Mr Burns: Mrs Marland, it's not that we don't have information; it's that the information is in our workplaces, and in order to make the kind of assessment the auditor wanted to do, he would have had to visit and investigate a large number of files in a disparate set of locations. The approach taken was to take a sample and to try to bridge from that sample to a broad assessment of the situation. It was not that information was not available in our ministry, but that it would have been a large amount of work to tackle it all.

Mrs Marland: Mr Burns, you are responsible for millions of dollars of taxpayers' money in this province. If you can't operate the Ministry of Housing as a business, you should not be in the job you're in. I'm sorry; this is not a personal attack of Mr Burns; it's a personal attack of whoever the deputy minister happens to be.

The deputy minister is paid very well to hold a very responsible job and if your answer is, "We couldn't get the information in time because it's in our various workplaces," my question to you is, are you saying that because these figures are out in different offices, you don't at any point have them all under your thumb in your office?

You have to be a business person when you're operating a business and I would suggest that the Ministry of Housing is a business and you have a responsibility to the taxpayers of this province. I do not accept the answer that you couldn't give the information because it was in "various workplaces." Mr Tilson just told me this information was asked for in April of last year and then again in June. Is that correct?

The Chair: I believe she's asking you.

Mr Peters: Are you asking me?

Mrs Marland: Whoever.

Mr Peters: Not specifically. Those were the two dates at which we presented our reports for factual clearance. We presented the first draft report in April 1992 for factual clearance by the ministry and the final report was issued in June. Then the summary appeared in our annual report in December, so the information we had modelled was available since April.

Mrs Marland: So almost a year later the answer we're still being given is that we can't have this information

today in front of the public accounts committee because you obviously didn't find it necessary to have that information. Are you still saying it's out in the various workplaces, that you as the deputy minister cannot give that information today from your office? Is that what you're saying, that you don't know?

Mr Burns: Mr Chairman, Mrs Marland's made a number of points that I'd like to respond to. Yes, the Ministry of Housing's responsible for a substantial amount of money and, yes, good business practice is an important part of what we do.

The design of the audit and whether you use a universe which is everything or a sample is not something we determine. It's something the auditor determines as he designs his approach to our material.

As to the question of whether the information that was just asked for could be provided instantly, the answer to that is we do have the underlying data that would have to be looked at, but that's a large amount of information. You can't just simply wave your hands and have it come out in the format that was asked for in the particular discussion we're having here this morning.

Mr Tilson: But the concern, Mr Chairman, that Mrs Marland and I have is that from the Provincial Auditor's first preliminary report, which was in April, to the Provincial Auditor's second preliminary report in June, to Ms Gigantes being asked questions in the House by Mr Harris in December, it took until March of this year, and as a result of a decision by this committee to question the whole subject of non-profit housing, it took all that to get the Ministry of Housing to come along and say, "Well, it all has to do with number crunching as to whether you're talking about models or whether you're talking about all of the facts," and today we find out, as Mrs Marland says, that we still don't have all the facts. We're going to have to go out and corral them all.

Mrs Marland and I have a lot of problems with this and I guess the question we're asking is, okay, so you've said it's going to take a number of days. Why can't you have this stuff instantaneously? Why can't it be in your office, in the deputy minister's office?

Mr Burns: There are three points I'd just like to touch on. First, in relation to the comments of the minister in the House, I think I said yesterday that the maximum unit price itself is a blunt instrument and should be revisited and tackled differently. We're in fact having an intense discussion with the federal government right now about that subject.

Secondly, I said that the practice we followed in 1991-92-93 in relation to the MUP changed in order to deal with the very uncertain times we were in 1991 and then the clear downward track of costs in 1992-93. The blunt character of the MUP in relation to tracking market conditions is a problem. The auditor pointed to that. We agree with him and I think the minister agreed with him when she made her comments in the House.

1050

On the question of whether there have been discussions about the methods that were used last year to try to get our

cost structure, there were discussions between the ministry and the auditor last year about those subjects, both at the design phase of the audit and in relation to the draft reports. Our letter to the auditor clearly indicates that we think there were weaknesses in the methodology and what they were.

Mr Tilson: Mr Burns, the purpose of the questioning was that you knew in April, you knew in June 1992, you knew in December 1992, you knew in the request of this committee to discuss this whole subject that you were going to have to have all of these facts. You knew that, yet today you still don't have them, and this is the whole crunch of this issue.

It gets back to the very first question we asked. There's \$200-million waste that's being alleged in your ministry and you're saying, "Well, it's not really that; it's \$20 million," which is an astounding admission alone. Notwithstanding that, the auditor is saying: "We need this information. We've needed it since April 1992."

The Chair: You'll have to continue your line of questioning in the next allocated round of time. Mr Kormos.

Mr Peter Kormos (Welland-Thorold): What did the auditor have access to when he came to the ministry in the performance of the course of the audit? In other words, what was available to him or his team, his people?

Mr Burns: Following the standard practice of any organization being audited, the auditor had access to any and all material the ministry had in its possession relevant to the design of the audit. We spent time, obviously, in the design phase and then in making material available that fit with the design. Now the design, as we know from discussion yesterday, was based on sampling, not on the universe.

Mr Kormos: That's interesting. You're also indicating that information is spread out among regional offices. Is it regional offices that we're talking about?

Mr Burns: Yes. If you're going to go into the depths of a particular project or file, the comprehensive working file for a project is lodged, in our case, in the regional offices.

Mr Kormos: And that file has actual cost?

Mr Burns: Yes.

Mr Kormos: It has a complete description of the particular project?

Mr Burns: Yes. I think yesterday you'll recall we walked through the stages of approval. All the documentation that relates to any stage of that process is contained in a master file which is in our regional offices.

Mr Kormos: How many regional offices are there?

Mr Burns: Six.

Mr Kormos: How many projects are going on at any given time?

Mr Burns: As I think I said yesterday, 1991 was the peak level of activity for the ministry, the highest level of activity since 1970-71, 20 years earlier. So central region alone would have had at least 200 active projects and the rest of the province would have been a larger number than that.

Mr Kormos: When you're talking about projects, a couple of hundred in central region alone, those projects would range from what at one end of the scale to what at the other end of the scale in terms of magnitude and size?

Mr Burns: They range from an individual dwelling to an apartment complex of 200 units or more.

Mr Kormos: Would it similarly range from these turnkey purchases all the way to actual active construction projects?

Mr Burns: Yes. It's the full range of development methods, it's the full range of size, it's the full range of building type from wood construction to concrete, and including some acquisition rehabilitation projects, sites in urban contexts and in rural contexts. It's a very diverse program.

Mr Kormos: You also talk of a structure that, notwithstanding that it has been blessed by computerization, appears not to have been overly blessed.

Mr Rosario Marchese (Fort York): What is your—

Mr Burns: We do have today a quite well-established computer-based information system, but in 1991 that system was under development and installation. So the standard reporting, for example, that we would get at head office on all of the projects, which we do get, was based on much more of a manual system and on a fairly simple set of measures that we used to follow projects. That's not fundamental. If you're going to audit, you should go to the original material, and that is what the auditor did for a sample of projects.

Mr Kormos: Wait a minute. Did the auditor—and obviously the auditor can join in if he wishes—visit more than one regional office?

Mr Burns: The audit is based on looking at material in depth in three of our six regional offices.

Mr Kormos: And the auditor, of course, had available to his team any one or all of the files that contained all of the information that in fact we're speaking about right now during the course of questioning from opposition members.

Mr Burns: All the information on an individual project, yes. The auditor said earlier today actuals, and then looking at them with a certain kind of breakdown, that requires manipulating our database to get the specific kind of breakdown that was talked about here. We can do that too. It'll just take a little bit of time to do it.

Mr Kormos: I suppose, Chair, if I may and again, perhaps your response shared by the auditor and by the deputy minister—I suppose the question is, were actual costs sought, and if they were, why wasn't access made into any number of these files that were available in any number of these offices?

Mr Peall: Actual costs were sought where they were available. In a number of the projects we looked at, the final capital cost statements in the process of the ministry outline were not yet in, so the final capital costs weren't necessarily known to the audit. When you had this many units coming on stream at that time, it was likely that a great number of those were going to be outstanding. All we had

to work with was a summary listing of committed costs, what the ministry approved to go ahead with, that this would be roughly the committed cost of the project. It wasn't the actuals in the end, so that's all we had to work from.

We also worked with a total list of the 1990 and 1991 projects based on those committed costs. So the summary that we used for Metro Toronto, for example, was all projects we could identify readily from that listing as being in Metro Toronto. It wasn't a sample from the regions.

When we spoke to the ministry about using a sampling methodology, in a lot of the projects we looked at, arguments were raised that these wouldn't be typical projects and it would be dangerous to extrapolate the results of what we found in those projects. We did not use the ones we actually examined in the regions to do any extrapolation or modelling. We only used the listing of committed costs provided by the ministry and, as it points out, it didn't have a complete management information system to capture all the actual costs and the status of every project that we could just go to that listing and do our sampling and calculations from. We had to be a little bit creative to work with the data available.

Mr Kormos: Quite right, and the creativity is one that's a matter of a whole lot of—and not to suggest that it was inappropriate under the given circumstances, but that's what's been the matter of a whole lot of contention right here over the last couple of days.

Mr Peters: I should jump in here. I think creativity creates a very artificial—once you get into modelling as an alternative to assessing the actual situation and, as Gary has just described, the actual cost is simply not available, you then have to use your best judgement to develop a most reasonable model that you can follow. None of the information that has shown so far is that the model should have been different, based on the information that was available at that particular time.

What has been shown is that if there are other models available which could be developed a year after the fact or whatever, then we would get into a contest as to whose model is better, like who had more hindsight in preparing the model. Do I prepare a better model right on the spot or do I prepare a better one a year later, after everything has happened? I think that's sort of where the debate is going on right now. The point is that on a professional basis, the provincial audit staff did not create anything; it tried to resolve in the most professional manner a problem that presented itself.

Mr Kormos: Quite rightly, but I don't understand yet. The deputy minister says there were any number of files representing any number of projects. Obviously some weren't complete, in which case you didn't have capital costs, but numerous ones, obviously hundreds, were complete in which there were actual capital costs. Am I understanding you correctly?

Mr Burns: I don't this second know what the split would have been at the time the audit staff was in our field office between projects that were still in process. He was looking at a universe that included people who are still in the development process to some degree, as well as some

who finished in the period that was being looked at. The final capital cost statement is a piece of the work that occurs at the end of the process, and out of that can be derived full actuals. So full actuals in the sense that we're now discussing this were not available for the universe they were looking at, because a large part of the universe was made up of projects that were still in the development process to some degree or another.

Now there's lots of information about those things: the preliminary cost estimates that Mr Peall alluded to and progress materials, and they're in the files. But final capital cost statements obviously can't arrive and be used until a project is fully finished. So when we came to prepare our presentation here, we went back to actuals and at that point almost all the projects that were looked at, whatever state they were in before, were finished. So the auditor said today, "Why don't we find a way to look at those in a particular format?" I think that makes some sense myself.

Mr Kormos: Did you select the sample that the auditor used to do the calculations?

Mr Burns: Obviously there's some discussion about sampling and access and those kinds of things, but when you have an audit done, it's always an auditor's call to determine the nature of the sample and the scale of the work. So, yes, there were some discussions, but in the end the auditor's staff makes the call.

Mr Kormos: I would ask the auditor, isn't there some risk inherent in sampling and extrapolating data from that sample?

Mr Peters: Yes, there is.

Mr Kormos: Especially when there isn't a universal and scientifically sustainable approach because of the diversity of projects?

Mr Peters: That's right. That's why our reaction this morning is that we do not want to compare models with models, because both have an inherent risk. I think the committee would be far better off now, with hindsight, to take a look at the actual information. That's why the request was made this morning.

Mr Kormos: And you—I'm sorry, sir?

The Chair: Mr Marchese wanted to share some of the 20 minutes.

Mr Kormos: And Ms Harrington.

The Chair: Ms Harrington did also? And so does Mr Duignan, right? Okay. Well, let's try to do our best.

Mr Kormos: I've saved 15 minutes for Ms Harrington.

Ms Poole: You have a strange clock.

The Chair: Okay. You have until 12 minutes after 11. Please just jump right in.

Ms Margaret H. Harrington (Niagara Falls): Thank you very much. This is a very important and basic thing we are now discussing, and in fact I did raise some time ago with the ministry staff the numbers and why there wasn't access to the numbers. I think all the facts have been very well brought out now; that is, that we were in the middle of this process and that the building of units certainly does take some time. The other factor in this is

the absolute number of units that were being built a year ago or more, and I think this has been raised in the audit as well. The pressure on the staff, especially at one of those three offices, was very great, but we all know that.

The conclusion I think we have to draw now is that there has to be a method, because in the years ahead, it is very legitimate that the people of Ontario do want to know and have a fair evaluation of the cost-efficiency of this program, so at any point in time it should be able to have some kind of snapshot of what it is costing per unit and look at that in relation to the other markets. That sounds very simple to say, but we all know, the auditor and the deputy minister and all of his staff, that that may be extremely difficult. But I think we have to strive to have that process. Whether it be using actual numbers or using a model type of system, it has to accurately reflect what is happening out there. So hopefully, from all this discussion this morning, that's a conclusion we can come to.

May I ask the deputy, do you think that working with the auditor—I mean, he's the one who actually calls the shots—would you be able to assist him in the next while in coming to some system whereby we can get a fair model or use the actuals?

Mr Burns: I suggested yesterday that I thought that was an important issue to address. As I mentioned just a few minutes ago, we have made some improvements in our technology, and that gives us a better capacity to have more extensive and perhaps timelier reporting from a field-based system. But of course we've largely been looking at that from a need to get information for general management purposes. I think what you've raised is that we should make sure that in the design and development of that, we get clear information that allows the Provincial Auditor himself, and others who want to get at some of the broad issues of cost, to do it using our system. I think that's important. I think we should do it.

Ms Harrington: What I'm asking is that the ministry assist so that there will be a method in place, that it won't have to be creativity every year on how to do this.

Mr Burns: Yes.

Ms Harrington: Okay, thank you very much.

There's quite a few other areas I'd like to get into. Certainly the most important is cost-efficiency in future and what we can do to look at that.

One thing I would like to bring up first may be even more timely: the question of selecting projects. There was some indication in today's press that there was a question around the process of selecting the groups. The groups are the non-profit people, who then hire a developer, so we're not directly dealing with developers at all, but my question is about selecting which groups get the allocations. This is a very important process, that the criteria are extremely clear and the process has to be very open so people can see what is happening.

I want to add one further thing. In the past, the larger, more established groups that knew how to do things well and maybe fit the system may have got lots of allocations; say, Peel Non-profit, very well-established groups that know how to deal with the ministry.

Mrs Marland: The original group.

Ms Harrington: Right, the original group. But I would say that possibly across Ontario now—and I've been dealing with aboriginal groups across Ontario—they may be very small places, like Little Current on Manitoulin Island. They may not have the background and expertise. How are we going to make the process accessible to smaller groups with less expertise? I also would like you to address that question of, is it a fair process?

Mr Burns: We touched a bit on the early stages of the development process yesterday. I showed some slides that give the basic structure of planning and approval under the federal-provincial program, a structure that was used almost exactly in the provincial Project 3000 and Project 3600 programs, which are part of this audit and which contributed in large measure to the way Homes Now was tackled.

In the opening stage, people are invited to make proposals. Non-profit sponsors are invited to submit proposals to the ministry, and in that opening proposal, they have to demonstrate a number of things: that there is a need and demand for that particular service, that they are a body corporate, that they are a capable body, and questions like that. That stage was subjected to an evaluation against a set of criteria and against the fair-share model of regional allocations, which we're going to discuss this afternoon. If they survive that evaluation, they could go to a second stage, where they'd have to meet some more objectives and have another evaluation.

1110

So we were evaluating proposals made by non-profit sponsors. As you said, established organizations like Peel Non-profit well understood that and were very good at making sensible, practical proposals. Less experienced groups had a learning curve, and so they sometimes found it tougher.

One of the things we found in the consultation round in 1991 about the program was that people wanted to make sure that everyone understood what the ground rules were and there was some clarity about access to the program. So what we did in the proposal call we just issued in December was to change the nature of the call quite a lot. From something relatively general, we've gone to something quite specific. We've said in the proposal call: "Here are the mandatory requirements you must meet, and if you don't meet them, you won't even get a full evaluation. Here are the objectives we have for the proposal and here are the criteria we're going to use to evaluate your proposal. You must attach right now, right at the beginning, the material that's necessary to demonstrate to us that you've dealt with being a body corporate, that you've dealt with contamination issues—" something we touched on yesterday—"and a series of other clear guidelines."

We ran information sessions for people who might want to sponsor projects under the new program. When the next proposal call comes in the next month or two, we will run the same kind of training sessions for people so that, in addition to the clarity we've brought to the proposal call end of the process, we're also going to do some outreach

and training for people who are interested in sponsoring so that they clearly understand the nature of the process, the nature of the ground rules, the nature of the evaluation.

Ms Harrington: I think the question was, is it a very fair process?

The Chair: I'm sorry. That'll have to wait till the next round. Mr Cordiano.

Mr Cordiano: I want to make a couple of comments with respect to what I think is largely becoming apparent in this exercise. I want you to please understand that what I'm about to say is not directed at your efforts, which I believe are sincere and that the staff under you is making all efforts possible to do what it has to do to make information available. What I would say is that you have not been mandated to do anything else and that you're trying to serve your political masters as best you can. I'm going to take that at face value.

But I'm also going to say this: In the time that I've been a member—which is almost eight years now, and I've served on this committee on and off during that time—we've investigated a number of complex issues on this committee over the years, ranging back to the domed stadium, which was very complex, the sale of UTDC and onward from there. But I've got to tell you something. In my experience, I've never come across a situation like this, where the information we're getting is totally inadequate for the magnitude or the scope of importance we're dealing with.

The dollars you're responsible for are enormous, yet we don't have answers to questions that are pretty straightforward. We don't have an accounting of what you're doing in a way for us to be able to determine whether what you're doing is effective or not. In fact, we've had the same kind of problems, not with a ministry directly but with quasi-public institutions; that we do not have and the auditor has very little authority to go in and do a value-for-money audit kind of situation.

I think it's incumbent on your ministry to undertake immediately effective management information systems, to implement those cost accounting and cost-management systems which would enable you to come before this committee and have at your fingertips the kind of information that has been requested and that you're unable to provide.

We're dealing, as someone said, in the realm of creativity and the realm of fantasyland with some of the things we're asking. Quite frankly, to us that's totally unacceptable. I think it's unacceptable to the taxpayers of the province. Therefore, there's a sense of frustration, at least on this side of the committee with the opposition members of the Legislature, who would like to get to understand what your problems are so that we can facilitate any improvements you have to make, which is what the objectives of this committee are all about with respect to recommendations we may make.

We see that you have problems; there's no doubt about that. But if you're coming before this committee to suggest that there are no problems and that what's unavailable to you is as a result of the nature of the area you're dealing with, that you can't come to grips, can't get a handle on exactly what you're doing, I would have to say that's not

acceptable to us. I would say there are things that you must undertake in order to get a handle on what you're doing.

We're going to continue questioning what we see as problems for the next day and a half, but I've got to tell you, the answers are most unsatisfactory to this point. It's going to be awfully difficult to even ask questions that make any sense to anyone, because you can't put them in a format in which you can get answers that are estimatable, or in which the answers that come back make any sense to anybody. We're really dealing with equations that don't make sense, with unit prices that may or may not be accurate. We've got to have a better system than this; it's got to be. For the number of dollars we're dealing with, it's totally unacceptable.

Having said that, it's pretty difficult to go on and ask more pertinent questions that are specific in nature, because you simply don't have the kind of detail we require to be able to determine whether each of those projects you're dealing with makes any economic sense. I think that's a fair assessment of what we're dealing with.

Would you not agree with me that the systems you have in place now are inadequate and that you would need to implement a more effective management information system and a management accounting system that makes sense to all, that all can see, that is logical for us to determine what you're doing? I don't think that's something new. If we were to examine the books of any development company, I think we would certainly be able to determine whether it's being cost-effective on any project on any given day. I think there are methods you can use to do that, which hasn't been the case.

Mr Burns: Let me say a few things. First, as a matter of principle, I believe very strongly in open government and accountability. I think our practices and results should be understandable and reachable in any forum where we have an accountability relationship, and that includes this one. This is an important one. We didn't come here with any other perspective than that.

Second, we do have management practices and project management practices that deal with costs in individual files. Do we have the kind of general management information system that's been touched on a number of times this morning? Not in the form that's been described. Can we improve our management information system? Yes, we can. I think I said yesterday that we as a ministry believe in continuous improvement philosophically. These are things we have improved even since the time of the audit and will continue to improve.

1120

I think that government business should be transparent: The rules should be clear, and the results should be clear. We have changed the beginning end of the program to respond to those kinds of perspectives, and I touched on that a little bit in response to a question from Mrs Harrington.

In conclusion, I'll just perhaps touch on what you touched on at the end, which is getting the management information system that makes this kind of dialogue simple as opposed to complicated. You did say it's a difficult business to create management information systems

around, and it is, particularly with the volumes and the diversity that we actually deal with. However, I take your main point.

Mr Cordiano: It's got to be a priority for you, though, is what I'm saying. Perhaps it's premature for me to say this at this point, but there are a number of other areas we want to go into and we haven't completed this process yet. It's important for us to have a sense of that, that in fact we're dealing with insufficient information and that as we sit here and some of us become frustrated about the kinds of questions we're asking and the answers that we're getting to them, we have to—

Mr David Winninger (London South): We're frustrated with your questions.

Mr Cordiano: This is my time, if you don't mind, and I can reasonably say what I like and ask what I like. But I think it's important to note that the context in which we're dealing with this is with insufficient, at least inadequate, information. I think that's the sense of frustration that the auditor felt in going in to do an audit in your ministry with regard to this area.

Mr Burns: I appreciate your perspective, and in fact as we began to prepare for this presentation, one of the reasons we wanted to go back to actuals was to get a sense of what had actually happened and be able to provide that. When we finished that assessment and had that data, the first thing we did was sit down with the auditor's staff and review it and send it to him, and then, as you know, we made it available here. If there's a reproach, perhaps we could have done that a week or two earlier; we didn't. We did it as we began to prepare for this. I believe in sharing information and being as clear as we can be, which is why we did those things.

Ms Poole: Yesterday I touched on the issue of the costs of non-profit housing, the capital costs versus the capital costs in the private sector. Even though you and the auditor disagreed on what the figure was for the per-unit cost, two-bedroom cost, of a non-profit unit, even accepting your figures, there was still a substantially larger component for the non-profit capital costs than for the private sector. You helped explain this by talking about the land costs and the lag in time, the fact that units built in 1991 would have been purchased perhaps a year and a half or two years earlier, at the height of the boom. Fair enough, but it still did not explain away the enormous cost differential.

One of the areas nobody has talked about is this middle layer, the development consultants, the lawyers, the architects, the real estate agents, the developers, this whole infrastructure that's been built up and, to my way of thinking, that's completely out of control. I think this is adding an enormous cost to our projects.

I want to read you two excerpts from the auditor's report that was tabled with the ministry, and these are excerpts that did not appear in the final summary. They substantiate some of the concerns I not only have myself but that I have heard from supporters of non-profit housing.

"Development consultants, architects and appraisers were not acquired competitively although their fees were substantial. This not only added to the project cost but also

left the ministry and non-profit groups vulnerable to conflict of interest."

In the second section:

"As well, we found that in 5 of the 12 projects reviewed in the central region, the development consultant and architect were the same individual or firm or were otherwise related. While such a relationship can be beneficial, the potential for conflicts of interest is high and could contribute to higher costs.

"In one of those projects, the development consultant had the following involvement: first of all, acted as the real estate agent for the non-profit group in the purchase of the site and received a 5% commission; secondly, was a director for the construction company building the project—held 50% of the voting shares but apparently was not entitled to share in the profits from the project; and thirdly, was the property manager for the building as well as for several other projects completed by that non-profit group. We felt that at the very least the ministry should have required such potential conflicts of interest to be formally declared at the outset so that additional precautions could have been taken during proposal review and onsite inspections.

"As well, the ministry should consider compensation alternatives to provide an incentive for development consultants and architects to control projects' costs."

I think that's pretty damning and it certainly confirms what I have heard when talking to people and talking to groups out there. Could you tell me, as a ministry, what you have done to address this problem and what changes you have brought in to address this problem?

Mr Burns: You touched on four items, so let me proceed through them in the same order that you did.

When we were talking yesterday about our costs and what was happening in the private marketplace, that was in relation to the question of whether our costs should have fallen at the same percentage, if you like, that private costs fell. Our remark was that land costs in our program never peaked at the height at which they did in the condo market, so there was a much larger absolute and percentage drop on the private side than on our side. Those things are not inconsistent.

The second thing you touched on was a comparison of absolute costs as opposed to relative change in cost structure. I think you suggested yesterday that at the time when we were operating at \$125,000 a unit or some number like that, the private sector was operating at \$106,000, and that you derived that from some surveying you had done of private builders. I don't have access to any information that suggests that our cost structure, whether it was land, construction costs or the other elements of it, was particularly out of line with private numbers. If you have survey data or access to another data source that we haven't looked at, then I would be happy to look at it but I don't have any assessment of that sort myself.

The third point: In the real estate business there are a series of professional and managerial activities that have to take place in the building of a project. That's as true in the private sector as it is in the publicly supported sector. If you're building a large building, there will be an engineer and there will be an architect in all likelihood. If you're in

the private sector there will be marketing, there'll be project management, there are fees associated with all of that on the private side.

On the social housing side, the necessary professions are all there and there is a function of project management in effect. They have come to be known as development consultants. They deal with the coordinating of the professions, of the construction process and other work that may be needed. It's not absolutely consistent, what they do; there's variation in how much service they offer and, obviously, variation depending on the type of proposal that you're dealing with.

Yesterday we talked about a couple of issues related to the function of professional services in relation to our program. You just touched on them again. The first is the absolute fee level, and I think I said yesterday that the guideline of 2% is derived from a period of time when the federal government ran the programs and that was their guideline, and that we have moved away from that guideline to a fee-for-service basis in the last 18 months and the real costs associated with that line in the budget have dropped.

Ms Poole: Mr Chair, if I could just interrupt. I'm sorry, but there are only a couple of minutes left and this is not getting at my question, which is about conflict of interest.

Mr Burns: Yes. I will get to conflict of interest in a second.

Ms Poole: Yes, but we're not going to have time to do it, and I really think that this is the crucial part. When I've been talking to development consultants and people in the industry, they have been telling me that there is far too much control in these hands, that you're not only talking about the fee; you are talking about a very incestuous relationship where they're feeding off one another. They're describing it as a boondoggle.

They have said that they have never seen the Ministry of Housing in such disarray in the non-profit program as in the last couple of years. In fact one of the development consultants I was talking to said she's going to leave the industry because she can't take it any more. That's what I want you to address, the conflict of interest. That's the crucial point.

Mr Burns: Sorry. You've framed it by touching on a number of points. Perhaps I misunderstood that you wanted them all touched on. I don't have any reservation about talking about conflict of interest at whatever length of time it takes to deal with your concerns.

The Chair: Can you do it all in two minutes?

Mr Burns: I'll start with two minutes, but I'll be happy to return to it.

The Chair: We've got the rest of this afternoon and tomorrow morning.

Mr Burns: So there's lots of time to talk about it. Conflicts of interest arise in private business, in the public sector, in a lot of different situations. They are not necessarily a problem, but good business practice, and certainly good practice in the public sector, requires their full declaration and for business to be undertaken in full knowledge and understanding of what those conflicts actually are.

As a matter of practice in the non-profit program delivery—and this goes back to the federal time of delivery—conflicts of interest were something that program administrators, federal or provincial, required in dealing with any file. But that requirement was as a matter of practice, not as a matter of regulation or contract or requirement. What we have done recently is convert that practice to something much more demanding.

First, last November we sent a directive to all our own staff on our practices in relation to conflict of interest, our requirements. Second, in the proposal call that we issued for the new program in December we had a section on conflict of interest which laid out not only the requirements for its declaration but also the requirements for business practices that would flow from any particular constellation of declarations.

I think that you're right that in talking about the program people have expressed concern about conflicts of interest in the last period of time; the auditor certainly did in his report. What that has caused us to do is review our practice and make much more explicit what our requirements are and make those requirements a condition of even applying for the program.

The Chair: I'll have to interrupt, unfortunately. Mrs Marland, this is going to be a 10-minute round.

Mrs Marland: Oh, are we starting with us with 10 minutes when everybody's had 20?

The Chair: Everybody's had 20 twice.

Mrs Marland: No, not this morning; only once.

The Chair: I'm sorry; you're right, yes. That was my error. I should have told you that earlier on. That's fine. We'll do 20.

Mrs Marland: Thank you. Mr Chairman, I think it's very important to get a couple of things on the record here. I think the fact that Mr David Winninger, the member for London Centre, says, "We're frustrated with your questions too," referring to the opposition, is very indicative of the total attitude of this government on this whole matter. I can't understand how any member on any side of the House—

Mr Winninger: Point of order.

The Chair: Interjections are out of order.

Mr Winninger: Point of order, Mr Chair.

The Chair: There's nothing out of order. Interjections are out of order, and we're already going to be sitting into our lunch-hour.

Mr Winninger: Point of order, Mr Chair.

The Chair: Mr Winninger.

Mr Winninger: My riding is London South, not London Centre.

The Chair: Excellent point of order. Thank you.

Mrs Marland: I'm sure the people in London South are very proud of their member, who objects to opposition members asking questions based on information brought by the auditor.

Mr Winninger: Point of order, Mr Chair.

The Chair: Mr Winninger.

Mr Winninger: I have no objection to opposition members asking questions. I was just sharing in the spirit of frustration expressed by Mr Cordiano.

The Chair: That's not a point of order. Your objections are out of order. Mr Winninger knows.

Mrs Marland: I think the questions that have to be asked on information raised by the auditor are very significant questions. I also think it's very important to state on the record that the Progressive Conservative caucus, at least in this province, is concerned about the availability of affordable housing for people who need it. We do have an alternative to non-profit housing programs in the form of direct shelter subsidies to the people in need. We do believe there are people in our society who should be assisted by the government in the provision of housing.

Our concern is that what is now evolving with the non-profit housing program, as has been well substantiated by this current auditor's report, is that the non-profit housing program as a provision of affordable housing simply isn't working. Quite frankly, when you read the auditor's report and you read some of the other articles and research reports that are now available on non-profit housing in this province, it's turning out to be one of the biggest scams in Ontario today. As long as non-profit housing is not addressing the needs of the people who most need that help, then there has to be an alternative.

Earlier this morning, I heard the deputy minister saying they are now going to have a road show to haul more people in, to tell people how they get into the non-profit program. I think it's irresponsible. I'm sure the deputy minister isn't going to disagree with the auditor's projection of a \$1-billion annual cost for non-profit housing in this province by 1995. When you look at those kinds of figures and at the number of people who will be housed in those programs compared to the number of people who could be housed under a direct shelter subsidy program, then it's very obvious that our alternative of directly subsidizing the people rather than building the buildings makes eminent good sense.

I'm very interested to have read what Mr Burns, the deputy minister, said yesterday, because I think this is the most significant comment in support of what it is that we believe should be done. I quote from page 1115-2 of yesterday's Hansard. He says:

"Some level of vacancy is a feature of the rental housing market; in fact, in its largest sense, it's normally the object of government policy to try and create significant vacancy in every rental market. That's what disciplines rents and creates a situation that gives consumers choice in the marketplace, and we do have a number of markets in the province now with quite significant vacancy rates, and that applies to some parts of our stock."

If this is truly what this government is determined to do, then this is one big scam, because what is creating the vacancies in the market today, or contributing to it, is the availability of all the condominium units. We know this. You only have to open your daily newspapers to find why we have such high vacancy rates. Now we have a government, even with the existence of high vacancy rates, even

with the existence of its rent control legislation, that is determined to continue building. You have to say that yes, obviously they're determined to continue building in the non-profit program, even after the auditor identifies \$200 million of wasted taxpayers' money. They're proud, I suggest, from this comment, that they're contributing to the vacancy rates, even when the vacancy rates are in their own buildings.

I say this to you, Mr Burns: If you really are a businessperson, I don't know how you can defend creating vacancy rates in your own building stock. Frankly, when you talk about the rental market and about creating a situation that gives consumers choice in the marketplace, I want to ask you, what kind of choice is it to me, if I need help with my rent, that you stick me in a building that has a label as a government-assisted housing project?

1140

It would be far more just to give me the rent subsidy I need, which is the difference between what I can afford on my income and the rent that's needed. If you give me the difference between what I can afford, then that means I can take that direct rent subsidy and I can go and decide where I need to live. I don't have to live in a government-owned building. Frankly, I then have a choice as to where I live relative to where my employment is, maybe my day care, maybe my family, maybe the community I want to live in. I then would have a choice as a consumer.

Frankly, earlier this morning we were discussing the percentage of people on subsidy in these buildings. The way it's going, we are reverting back to the old Ontario Housing model. I'm sorry, but as soon as you increase the level of people in poverty in one particular building, you're going back to the old Ontario Housing. I think it's unfair and unjust to ask our people in Ontario who need help with their housing because they simply don't have the money—we support giving them that help, but I think it's unfair to segregate them into buildings that eventually have a stigma because they're government-owned and -operated.

You say in the next paragraph that I read from yesterday: "Now, what do you do about that? The non-profit renters in the market sector are going to have to do what private folks do, and that is address their terms of leasing, address their rent levels. But in some cases, they've come and said, We'd like to raise the number of households in poverty in our projects". Isn't that great? You're going to increase the percentage of people in poverty in one building, so they're all going to be segregated, they're all going to have the same label; they're not going to have a free consumer choice.

I suggest to you that these paragraphs contradict each other. When you say you're going to do what people in the private sector do, what are you going to do? You're going to start giving away trips to Florida or maybe free microwave ovens? How far do you think the government has to go to sell its business of housing? If that's what we're down to, if we're down to the government building non-profit buildings which have vacancies and now you're going to go out and sell them and promote them and increase the number in poverty in any one building, then you are going back to the old Ontario Housing models.

I'm suggesting to you that you can't talk out of both sides of your mouth and say this is not a scam. It is a scam. The non-profit housing program, apart from all the areas identified yesterday by Mr Tilson, my colleague, and were then asked again a few minutes ago by Ms Poole, about the examples of where the real estate agents have benefited and so forth and so on—I'm not going to reread those examples that happened to be in the draft auditor's report which, coincidentally, didn't get into the final report. I'm referring to page 15.

Page 15, the Woodgreen community project: Maybe you'd like to identify for me whether the Woodgreen community project is the one to which the auditor is referring, where everybody got rich on the poor; everybody got rich on a non-profit housing project supposedly to help the poor. The \$1-billion subsidy we're talking about by 1995 is not going to do anything about resolving the number of people on the waiting lists.

Would you tell me if the example on page 15 of the omitted draft comments of the auditor refer to the Woodgreen Community Centre? Is it or is it not the Woodgreen Community Centre that's referred to in that example? That's the only question I'm asking you.

Mr Burns: No, it is not, Mrs Marland.

Mrs Marland: It's not the Woodgreen?

Mr Burns: No, it's not.

Mrs Marland: Then this tells us that there are other examples. The Woodgreen Community Centre itself is a deplorable example of flipping properties, with the people in the middle benefiting from the taxpayers' investment and not the people who need housing in this province. Certainly it's an exploitation of government funds, there's no question, in the Woodgreen example.

So you're saying that this example that was omitted in the final report—and it's very curious that it was omitted, because it's a very damning statement on page 15—is not the Woodgreen. Then I guess I'd like to ask you how many more examples there are similar to Woodgreen that have been uncovered, either by your staff—which will be interesting, as your staff approves every single project. How is it, if your staff approves every single project, that you can have at least two examples of exploitation of government money?

Mr Burns: Mrs Marland, I don't think the two cases pointed at have many similarities. The one pointed at in the auditor's report had to do with whether proper declarations of conflict had been made and then proper business practices had been followed as a result. In the case of Woodgreen, as I understand it, the question that has been raised is whether the community centre and its associated community housing company should have undertaken a particular set of property transactions. Any real estate development—not any, but just about every one—does involve real estate agents as some part of the process, because there's usually a transaction.

In the market they were operating in, as we touched on this morning, the values for land exceeded what we were prepared to support in the program. That's particularly true in the city of Toronto but also in some other marketplaces.

That put a number of non-profit sponsors to a difficult point. If they wanted to gather enough land to propose a particular project, they would have to deal with the disparity between what we were prepared to fund and the real market conditions at the time.

Mrs Marland: And did you approve the Woodgreen Community Centre project?

Mr Burns: Did the ministry approve a project there? Yes.

Mrs Marland: Yes. Knowing the facts about the flipping of property? Did you approve it, knowing the facts of the flipping of property?

Mr Burns: We don't in our program administration approve or not approve property transactions behind a proposal.

Mrs Marland: So you don't care how much they pay for the money or how they accumulate the land. Is that what you're saying?

Mr Burns: We care quite a great deal, and we say to them, "You must provide a project proposal that meets our program guidelines." At that particular point in time, we were not prepared to fund land costs that were as high as the marketplace. A number of sponsors, including Metropolitan Toronto and the city of Toronto, had to deal with that by putting in, in effect, some equity to make their proposal work in the market context of the day, and as much as I understand of this, that's what Woodgreen Community Centre chose to do.

Mrs Marland: So you approved the project knowing the background of the land flips that Woodgreen was involved in?

Mr Burns: We approved the project based on our cost guidelines. They tried to convince us to accept land costs higher than the program guidelines, and we would not. They then had to straighten out the situation.

Mrs Marland: I'm sorry. Mr Burns, did you know what was going on in the Woodgreen community project in terms of the land-flipping?

Mr Burns: Perhaps you should tell me what you mean by "land-flipping."

Mrs Marland: You know very well what I'm talking about. It was in all the newspapers. I asked the minister the question in the House last December. You know that in the Woodgreen example there were properties that were bought and sold the same day, for goodness' sake. Are you saying that, knowing all that, you still thought it was appropriate to approve this-

Mr Burns: Which-

Mrs Marland: Excuse me. When you're talking about a community project coming to the government and asking for taxpayers' money to fund a housing program—in fact, as you said earlier, you're going to have this roadshow now to tell them how to do it. When you know of an example where a particular community group was doing things that were at best questionable, you still went ahead and would approve its non-profit housing program through your ministry? Is that what you're saying? You don't care

what the background is of a non-profit group or who's involved or what's been going on in terms of land flips. You're still willing to give them government money to go ahead with their housing program.

1150

Mr Burns: Mrs Marland, we deal with the non-profit sponsor in the terms of our program. They may try to convince us to—

Mrs Marland: That's amazing.

Mr Burns: —allow more costs than program guidelines would allow, and in this case we did not. We are delivering a program. We are not Woodgreen Community Centre or the city of Toronto or Peel Non-Profit.

Mr Tilson: The question is, did you know about it when you approved it?

Mr Burns: Know about what?

Mr Tilson: All of what she just said, the flipping that was going on the same day. Did you know about it?

Mr Burns: Woodgreen Community Centre said to us that to complete the land that it wanted to have for its project it would have to incur costs beyond our program guidelines and tried to convince us to fund that, and we wouldn't.

Mrs Marland: So the answer is, you did know what was going on. Did you know what was going on with the Woodgreen Community Centre?

Mr Burns: Woodgreen Community Centre, just to be clear and specific, came to us and said, "We have to spend this amount of money to acquire this land. Will you fund that under the program?" and we said no. They then had to deal with the question of whether they were going to abandon it, whether they were going to write down the land cost or what they were going to do. That's the set of decisions that they made.

Mrs Marland: So you weren't concerned that they took the money out of a fund and didn't tell anybody? You weren't concerned with the background at all? This is appalling. On the one hand, if you'd said you didn't know—

Mr Burns: It's not the business of the Ministry of Housing to manage Peel region, Woodgreen or any other organization outside of ourselves. We're delivering a program.

Mrs Marland: I'm sorry. You're saying you don't care. It's not your business is what you're saying. You're saying it's not your business about how they do their business. I'm suggesting to you—

Mr Tilson: It is your business.

Mrs Marland: —it is your business. You are responsible for giving public money to community groups to build non-profit houses, and you should be investigating what the business is of those non-profit groups.

It's not just a matter of dealing with the raw costs that come into your ministry. If you are not investigating the business ethics of the non-profit groups that are coming before you, I suggest you're totally irresponsible. The ministry is totally irresponsible. How can you possibly do business with a group whose actions might be totally

illegal and unethical? You're entering into a 35-year contract with these people. You're funding their program with public money to provide housing for 35 years or whatever the length of the mortgage is. You're not interested in the kind of people you're doing business with?

Mr Burns: Obviously if somebody presents to us a proposition that there's illegal activity, then that's a matter to be referred to the police. As for ethics, our program process and guidelines are there. We have an established process and, in the particular case you're talking about, it's a group that had used the program before.

The Vice-Chair (Mr Cordiano): We've run out of time. We have approximately six minutes left. I'm going to turn to the government members. Mr Marchese, first, for six minutes, and then we'll complete this at 12 o'clock.

Mr Marchese: I want to pick up on some of the things that Mrs Marland has said and I want to completely disagree with so much of what she said, including the use of her word "scam" to a non-profit program.

I'm wondering what it is that she meant by it, because she simply said, "It's a scam," and I hope she'll get another opportunity to come back to it because I want to understand clearly what she means because, if you have a journalist hearing that, the person picks up a word like "scam" and it makes for a good clip. But I want to hear, when you come back, what it is that you actually mean by it.

I want to talk about shelter allowance and rental supplements, because I think that is the basis of what you're suggesting as a solution to this problem, which, in my view, is the wrongheaded thing to do. I want to talk about that. Shelter allowances are a short-term way to help people who need housing. They're an income supplement, but they're not a housing supply program. It's not part of a housing supply program. It gives people money, but it doesn't create housing. At the end of the day, not one cent of this money creates—

Mr Tilson: Of course it does.

Mr Marchese: I don't know. David, you'll have another opportunity. Come back to it, please. I want you to talk about it.

At the end of the day, not one cent of this money creates new affordable housing. So at the end people still may not be properly housed and the government has no additional housing to show for its investment.

Let's talk about shelter allowance and rent supplements, because this is part of an overall strategy that this government is part of and the previous government was too, and in some ways so were you. But shelter allowances, in terms of the overall housing pie, constitute at the moment 54% of the housing income of its total budget. Is that true or not, Mr Deputy Minister?

Mr Burns: The shelter benefit, which is administered by Comsoc, is over half of the total operating expenditures of the government on housing.

Mr Marchese: Okay. Over half. It's 54% of the entire budget of its ministry that goes into shelter allowance.

Mrs Marland: Tell us how many dollars.

The Vice-Chair: Order, please.

Mr Marchese: It's \$2 billion and something.

The Vice-Chair: Order, please. Would you please place—

Mr Marchese: If Mrs Marland suggests—

The Vice-Chair: Order. Would you please place your questions to the deputants before us and not to members of the opposition, as that leads to—

Mr Marchese: Mr Cordiano, with all due respect, you spoke for five minutes. I'll look at the deputy as I say this, if this is what you want.

The Vice-Chair: I'm trying to make the point that if you direct your remarks—

Mr Marchese: But, Mr Chairman, with all due respect, you spoke for five minutes without addressing one question. In the space of one minute and a half, I not only made a statement but also asked a question. What do you want me to do?

The Vice-Chair: Fair enough. What I was asking you to do was to address your remarks to the deputants and not point to the members of the opposition—

Mr Marchese: Mr Chair, I will look at the deputant and I'll address my remarks to—

The Vice-Chair: —so that we don't get any interjections, so that you may have your complete time for yourself.

Mr Marchese: When you're done, Mr Chair, I'm ready.

The Vice-Chair: I'm trying to be helpful. Please carry on.

Mr Marchese: So 54% of the entire budget goes for shelter allowances. Correct or not?

Mr Burns: Yes, the shelter benefit is 54% of total operating expenditures.

Mr Marchese: The difficulty I have is that if that is one of the proposed solutions for the opposition—for the Conservative Party; I presume it's not for the Liberal Party—they would have our entire budget consumed in that area. Perhaps not; maybe not. I shouldn't speak for them.

Let's go to the rental supplement. In my understanding of it, we contribute close to \$130 million to rental supplements, which is another suggested solution. Is that correct? More or less.

Mr Burns: Yes, that's the universe, of which \$79 million is in the commercial programs. Those are the ones that support tenants in the private sector, and the remainder is associated with the non-profit programs.

Mr Marchese: All right. So the combination of these two programs constitutes again—am I wrong?—54% or 56% of the entire ministry budget? More or less.

Mr Burns: No.

Mr Marchese: There must be a chart here at the back.

Mr Burns: The shelter benefit is administered by Community and Social Services. In our ministry, the Ministry of Housing, the rent supplement program is a little over 10% of our expenditures.

Mr Marchese: Okay. What are we now spending at the moment, or at least, if you can remember, from the

inception when the Liberal Party started getting into this area to the present moment, what percentage of the budget is being spent on non-profit cooperative housing?

Mr Burns: I think for the two years that we showed yesterday, of the total operating costs that the government incurs in relation to housing programs, the non-profit and cooperative programs were \$400 million and \$600 million in relation to \$3 billion and \$3.5 billion, so about 15% I think is the figure.

Mr Marchese: That's important for the record because there are so many misconceptions in terms of this whole issue that we need to talk about. Do we have any more time, Mr Chair, for now?

The Vice-Chair: You have a few more minutes.

Mr Marchese: If we decided to put a lot of our money into rental supplements or shelter allowance, whichever of the two—I'm not clear what they might be proposing—does it really address the needs of people with disabilities and people who might be very vulnerable other than people with disabilities, the needs of that sector of people in society? Would their needs be addressed if we simply shifted our programs and put all of our money or most of our money into rental supplements or shelter allowance?

Mr Burns: Mr Marchese, it's my understanding of this forum that the accountability is about the administration of programs and not about broad choices of public policy as between programs.

Mr Tilson: We'll help you with that.

Mr Marchese: All right.

Mr Burns: So I think it is appropriate for me to answer the questions about—

Mrs Marland: He doesn't want to answer your question.

Mr Marchese: All right. Don't answer it that way. I'll rephrase it.

The Vice-Chair: Order, please.

Mr Burns: I'll answer and have answered the questions in fact that you've asked, but I think that asking me to speculate on broad public policy choices should be another forum.

Mr Marchese: I'll rephrase it. Don't speculate. What do rental supplements do? What does that program, rental supplements, do?

Mr Burns: What does it do?

Mr Marchese: Do. What is the program? How does the money get allocated to people and what is the intended solution of it—

The Vice-Chair: I'm just going to interject at this point because we've run out of time. We could probably get the answer to that this afternoon. The remaining time is approximately 14 minutes in that round of questioning. We'll start with that at 2 o'clock. We're adjourned until then. Thank you.

The committee recessed at 1201.

AFTERNOON SITTING

The committee resumed at 1405.

The Chair: The standing committee on public accounts is called to order. This is the afternoon session, day two.

Mr Duignan: Day three.

The Chair: The first day was only private briefings. Day two is with officials from the Ministry of Housing. Mr Daniel Burns, the deputy minister, and other senior officials have been with us the last day and a half. We're continuing our review of the annual report of the Provincial Auditor, 1992, section 3.12, that dealt with non-profit housing.

Clerk of the Committee (Ms Tannis Manikel): We didn't finish that question. There are 14 minutes left if we want to finish off that round of questioning before the deputy starts.

The Chair: The clerk informs me that the government had a number of minutes left on its 20-minute round, 14 minutes to be exact.

Mr Marchese: Mr Burns, to continue with the questions we had earlier on, could you just describe what the rental supplement program does?

Mr Burns: Not wanting to be argumentative, but there are in fact several programs. Is it the one that connects to private sector landlords that you are interested in, what's usually called the commercial—

Mr Marchese: That's right. Isn't that what rental supplements are mostly used for?

Mr Burns: That's the largest part of it, yes, the commercial rent supplement program under a couple of different formats. It operates by contract with private landlords. Units are actually contracted by local housing authorities, which are part of the Ontario Housing Corp. Within those units, the local housing authority provides the tenants and the landlord provides the apartment. The Ontario Housing Corp, using program funds, pays the landlord a rent for the unit. The tenant is charged on a rent-geared-to-income basis. It's a contractual arrangement between local housing authorities and private landlords.

Mr Marchese: Statistically, when I look at your chart, that provides 2% of the ministry's budget? I just take it from the charts.

Mr Burns: That pie chart is not the ministry's budget, but rather all government operating expenditures by all ministries in support of housing objectives. It makes up a commercial rent supplement program, which is \$80 million, I think less than 2% of the total, of the whole of government expenditures. It's about 8% of the ministry's expenditure.

Mr Marchese: Okay. Does the rent supplement provide any housing, or the housing is already there and the rent supplement helps the land owner because the money goes to him? But it doesn't provide additional housing, correct?

Mr Burns: It's a contract with people who own existing buildings.

Mr Marchese: Could you describe what the shelter allowance does? As I see that chart, and you could correct it if it's not correct, 51% of it goes to shelter allowance. Could you explain that program?

Mr Burns: This is the shelter benefit portion of social assistance. The shelter benefit is made up of two parts. It's a basic standard allowance made available to any recipient of social assistance and a second variable amount beyond that up to the level that is actually being paid in the marketplace by the household in receipt of social assistance further defined by an overall cap. That money is going to support the real shelter costs of households that are presently receiving social assistance.

Mr Marchese: Okay, and that's over \$2 billion.

Mr Burns: This year it's well over \$2 billion, yes.

Mr Marchese: The non-profit housing sector comprises 15%, as I see it here, and at the moment the expenditures to that are \$605 million, more or less.

Mr Burns: Yes, and that's the 1992-93 expenditure estimates.

Mr Marchese: The advantages I see from that portion is that it creates jobs, because we're building, and it provides housing for people with special needs. With respect to that, what portion of non-profit housing that is provided to people helps people with disabilities, special needs? Do we have a sense of that?

Mr Burns: I don't have a number for the universe. In recent years a significant number of projects have been funded whose object is to house people with needs beyond shelter, plus other needs. But in addition, in our programs and in the federal-provincial program, we've increasingly required project proponents to make provision for people with special needs, whether that's physical handicaps or others, within a larger project context. There's been quite significant growth in that component, social housing, over the last 15 years. I can't give you an estimate of the precise proportion right at this minute, but I may be able to later today.

Mr Marchese: Very good. Thank you, Mr Burns. I'll pass it on to a colleague.

Ms Harrington: I'd like to go back to a comment that was made this morning about calling into question the whole legitimacy of the non-profit program in Ontario. The words "one big scam" were used, and this has to be addressed. My contention, and I certainly hope it is shared by the majority of people in Ontario, is that the non-profit program in Ontario, which has been operating for some time, is a very legitimate part of the housing supply and market in this province. We have the private market, we have rent supplement and we also have the non-profit and co-op sector. These three different areas must work together and interact so that people have that choice.

The whole non-profit sector addresses many different needs, as we've just heard, which are not able to be addressed by the market units or even by rent supplements. Non-profit housing across this province has, in the last 10 years or so, created communities. They have been established by community groups such as Kiwanis, church groups and all kinds of different people who know what the needs in that particular city or small community are and specifically address those needs, whether it's for elderly people, whether it's for French-speaking people, whether it's for people with handicaps. It's more than just housing; it answers the needs, as we've just talked about, but it establishes a relationship between people and builds communities as well.

I'm saying that there are three different parts of the housing market. The majority of people in Ontario believe that answering those needs is a very important part of it. I just want to comment briefly that the Peel Non-Profit Housing Corp, where Ms Marland is from, has been a very important part of that community.

Mrs Marland: They were the leaders in Canada. They started non-profit housing.

Ms Harrington: Excuse me, Ms Marland, I do have the floor.

The Chair: Interjections are out of order.

Mrs Marland: I just thought you might like to know the history.

Ms Harrington: It has been, in the past, Ms Marland's object to promote and lobby on behalf of Peel Non-Profit.

Mrs Marland: That's right.

Ms Harrington: Therefore, one would assume that she does support non-profit, but I believe there are some people, and it may be she, who do not agree with the majority of people in Ontario. Let me just quote you from last July in Hansard.

Mr Tilson: Do you want to have a vote on this? Let's have an election on this.

Ms Harrington: Ms Marland has said that no units were, in this allocation, going to Peel Non-Profit. She went on to say: "This is not right. PNPHC provides 40% of its new units to families needing a deep level of subsidy.... As well, PNPHC has the zonings in place to start building 500 homes immediately. This would have created jobs now, whereas many of the projects are years from construction." So obviously she was lobbying on behalf of non-profit—

Mrs Marland: That's right. That's why I quoted it.

Ms Harrington: —and therefore was assuming that it is a legitimate part of housing in Ontario and therefore, I put to you, not a big scam.

Mrs Marland: Would you give the date of your quote, please, and where.

Ms Harrington: I'll pass it over to you, Ms Marland. I would like to continue.

Mr Winner: Are you singing from a different hymn-book today?

Mrs Marland: No, I'm not.

Ms Harrington: Mr Chair, I'm having a problem.

The Chair: We're just going to take five seconds to catch our breath, and then Mrs Harrington has the floor.

Mrs Marland: I'm flattered to be quoted.

Ms Harrington: I assume we agree that non-profit is a legitimate part of our housing program, but the purpose of this committee is now to look at the auditor's report and go from here to see how and where it can be made more cost-efficient and more answerable to the taxpayers of Ontario. That's why we're here, not to call things a big scam.

I would like to ask the deputy if he has had a chance to look into the program review Ms Poole was speaking about yesterday. That is part of the ministry's program to evaluate, over the last two years, how the program has been working and how to improve it in the future.

Mrs Marland: Mr Chairman, I have a point of order.

The Chair: Point of order, Mrs Marland.

Mrs Marland: It's customary, both in the chamber and in committee hearings, that when members are quoted, the date and the reference of that quote are also read into the committee. I would appreciate it if Ms Harrington would please do that.

The Chair: It's not a point of order; it's a request.

Ms Harrington: In answer to your request, it would be July 14, 1992. I don't have the page number but I hope you can find it.

Mrs Marland: Thank you.

Ms Harrington: To return to the deputy, I'd like to ask some specific things, but also I believe there are about 31 different items in the program review. If you would like to highlight some of what you might think would be the most significant of those, the ones I would like to talk about are how the operating budget can be made more cost-efficient by such things as reducing the financing costs. Is there any way we can do that in the future?

Ms Poole: Mr Chair, just on a point of information, I had requested a list of the 30 items. I wonder if that would be available at this time so that while the ministry is answering that question, we could have it in front of us.

The Chair: I was just going to actually make a comment on that. I don't want, in any way, to advise any member on how he or she should ask questions. I would just say that if there are other members of the committee who have already asked a series of questions, then having another member ask our witnesses to answer those questions may cause what has just happened.

Ms Harrington: Okay. I'll go back to my own question, then.

Ms Poole: Mr Chair, sorry, that wasn't the point. I have no problem with Mrs Harrington asking the question. I didn't pursue the questions because I wanted to see the list first and I just wondered if it was available. I think it would be helpful to committee members if we had it in front of us.

Ms Harrington: Hopefully, this afternoon we can go into that further.

The Chair: Mrs Harrington is going to clear that up anyway because she has other questions.

Ms Harrington: Meanwhile, while that is hopefully coming out to us—

Mr Burns: Perhaps, Mr Chair, I—

The Chair: Jump in. Everybody else does.

Ms Harrington: Feel free.

Mr Burns: Perhaps I can shed a little light on the schedule question, Mrs Harrington. The listing of items will be available a little later this afternoon. One of them is taking a new approach to financing and refinancing of the mortgage portfolios associated with non-profits, which is the question Mrs Harrington alluded to. I can comment on that now or later. That's really in your hands.

Ms Harrington: Was that part of the program review?

Mr Burns: Yes. Looking at our financing is one of the items.

Ms Harrington: Maybe we can take that specific question now.

Mr Burns: The second point I want to raise is in response to yesterday's inquiries about the fair-share model, the core need income threshold system and the new approach we're trying to take to assessing market conditions. Mr Nicholas But, who's the manager of our policy group, is here with me. At the appropriate time, Mr Chair, we're ready to present some material on that.

Ms Harrington: We were going to do that, I believe, once the 14 minutes were finished.

The Chair: Were we?

Mrs Marland: We didn't discuss that. Do it in your time.

Ms Harrington: Do I have some time, Mr Chair?

The Chair: About two minutes.

Ms Harrington: Okay. My question, then, is about the way we could make operating costs less in the future. One of those considerations was refinancing or reducing the financing.

Mr Burns: I think I touched yesterday on some reforms that were made two years ago to providing mortgage financing on a cost-effective basis. More recently, what we have looked at is a combination of trying to make the rolling over of mortgages—by that I mean when a mortgage finishes its term, a new interest rate is fixed for the next term; most of our mortgages are five-year terms—trying to ensure that this process produces the maximum production. We put some practices in place around that.

More importantly, what we've done is to look at the mortgages held by non-profits and cooperatives that are coming due in the next two or three years, and we've put together an accelerated refinancing package that allows us to take advantage of the quite low interest rates that now exist on the mortgage market, particularly compared to the ones we were experiencing two or three years ago. We're forecasting quite significant savings in each of the next three years through the use of an accelerated refinancing model. So we've looked at a number of different aspects of the way that mortgages are financed and refinanced,

looking to lower the operating cost burden that the non-profit sector places on the treasury.

The Chair: That portion of our question time is completed.

1420

Mr Tilson: Mr Chairman, on a point of order: I did ask this question, I believe, on this topic that Mr Burns was going to be proceeding with. What I would prefer that we do, quite frankly, is that we have an opportunity to peruse the material. It may well be that this material will answer some of our questions, and if we have any other questions, that they'd be pursued tomorrow. But at this stage I think it would be in order just to proceed with the usual round of questions.

The Chair: I don't see any objections, so that's what we'll do. Mrs Poole, you have 20 minutes.

Ms Harrington: Excuse me, Mr Chair, I believe that at least our party did want to question the fair-share model. You're saying the other parties do not want to?

Mr Tilson: No, it's not that. Mr Chairman, through you to Ms Harrington, I'm saying that there's been some written material that has been produced to us. I'd like an opportunity to look at it and study it and, if committee members wish to pursue it, that we could pursue that in the session that's being set aside for tomorrow morning.

I haven't had a chance to study it and it may well be that after we've all had a chance to look at it we won't have any questions.

Ms Harrington: Okay. So you're asking our staff person from the ministry to come back at another time then?

Mr Tilson: Tomorrow morning, if we need him.

Ms Harrington: It's just that he happens to be here now and I did want to be respectful for his attending.

Mr Tilson: I appreciate that.

The Chair: Mr Daigeler, I understand you have some questions.

Mr Hans Daigeler (Nepean): Yes. I'd just like to ask a quick question and then pass it on to our Housing critic.

In the auditor's report, and this is really pursuing the matter that was discussed this morning, the auditor says: "In investigating the reason for the relatively better success of the southern region in negotiating competitive prices, we noted they were the only region to use a computerized database to track market construction prices accepted by developers. This database proved to be a valuable negotiating tool when dealing with developers." I would like to know from you whether now the other regions have adopted that database since then, and if not, by when that would be the case.

Mr Burns: I think the southern region's database does represent best practice in that part of our program delivery, and we are moving to have similar systems in place in other regions.

My officials advise me that creating a standard set of numbers to track and putting that in place is part of the program design for the full implementation of the program we're now delivering. The proposal call for that is due in

April. The systems and the numbers that we're tracking in the marketplace that you've alluded to have to be in place later on in the spring to work, and that is the goal, so May or June for the whole system.

Mr Daigeler: I must say, as we discussed this morning, I'm also a bit surprised—well, more than a bit surprised—that there seemed to be significantly different approaches by various regions of your ministry in how to handle things.

I think there's an attempt in other ministries to move out major decision-making responsibilities to various regions and local sections, I guess, of the ministry. Frankly, on the basis of what I've heard this morning, it makes me wonder whether we're losing some very important controls in that process. Can you set my mind at ease that by regionalizing ministry operations we are not compromising on the necessary central controls?

Mr Burns: The discussion this morning I think focused on the question of whether the general data on projects we were funding, the general data we've been collecting, could easily answer a broad spectrum of policy-oriented questions. Certainly historically it was very hard to do that, but the data we were collecting were data that were necessary, that is, at the centre, for the administrative tracking of the program of projects through stages. We also of course had in place a framework of directives and guidelines around the work of any regional office looking at project proposals and going through all the stages we looked at yesterday.

Projects are subject to a final audit of costs and we have our own internal audit processes in the ministry. There is a whole series of business practices around the management of program delivery out there that is based on the Management Board directives that govern good administration in the ministry generally and on the program design approvals given to us by management boards in the past.

I think I said this in response to a question from Mr Cordiano this morning. We could have, and should have, a management information system that makes it easier for us to get at policy issues and audit issues at the level of whole program. But we do have information in our regional offices, in our files, that's necessary for the good administration and the good delivery of the program.

The Chair: Mrs Poole, please proceed.

Ms Poole: Thank you. We have a variety of opinions on this committee about non-profit housing. It ranges from total support of the program in its present state to total disbanding and abandonment of the program. There's also a middle viewpoint saying that at the time the non-profit program was introduced and built it had a very important need when vacancy rates were extremely low, when our housing stock was in jeopardy because it was not increasing. But regardless of which opinion you have, I think the purpose of this committee is to take a look at the program and make sure it's cost-effective.

One of the things that I feel is that I'm grabbing smoke when I'm trying to find out whether indeed it costs more to deliver the non-profit projects than it would private sector projects of comparable size and quality. If we focus for a

moment on the capital expenditure side, I do not feel that the ministry has given me enough information for me to be satisfied that indeed the non-profit sector is producing housing for virtually the same, if not slightly higher, housing costs.

I'm particularly concerned that, other than the land, which has been used as, I think, a very valid rationale for why non-profit housing costs might be higher, I can't get anything beyond that. I'm trying to look at the one area where there has been significant criticism, and that's this middle layer of the development consultants, the real estate agents, the lawyers, the architects, the appraisers and everybody in between, and when I look at that, I have to look at the allegations of conflict of interest. So I'd like to pursue that particular point, because if there are people who are skimming money off the top, if there are people who are feeding money to one of their interest groups, then I think we have to know that, because that's a very important thing.

What I would like to ask you about is, when we're looking at conflict-of-interest guidelines, prior to the auditor's report, did the ministry have conflict-of-interest guidelines in place for non-profit projects?

1430

Mr Burns: I think I've touched on this question a couple of times, including this morning and yesterday. We had what I characterized as conflict-of-interest practices; that is, in practice, we advised people what the appropriate action was, and when questions were raised in any process, we gave consistent advice on what should happen.

We did not have a program condition. Before you even enter the program you have to understand what we mean by conflict-of-interest and ensure that certain steps are taken. We have gone to that step now. In fact, I think I've got the extract from the proposal call. Because of your question this morning, we made copies. We've extracted the conflict-of-interest provisions from the proposal call from December to show exactly what it is that we have laid out.

Ms Poole: Just before we go into what the ministry has put in place, I'm trying to really understand what was in place before. Part of the concern I had was that your answer this morning said you had it in practice but it wasn't a written-down policy. I'm trying to understand. At that time, did you have disclosure, for instance? Was that a requirement for every project, that if there was a conflict, there be disclosure? In practice, was that carried out in every project?

Mr Burns: Certainly, on our records, there are lots of declarations of conflicts. There were some circumstances where we didn't see them. When questions arose from the discussion and it became clear there might be, we asked for them. That was the practice through that period of time.

Ms Poole: I'm trying to ascertain whether in fact the ministry was proactive or whether if somebody happened to declare it, that was the only time it really came to your attention. I think this is quite important, to see whether there was any questioning or investigation of any type, whether the questions were asked when the sponsor group came forward.

Mr Burns: Yes, questions were asked at that time, but as I indicated yesterday, projects would proceed through a number of stages. At the first level, we might just be qualifying a potential sponsoring group and they might not have their full development proposal there, so it might actually be later in the process.

In the case of people using bulk allocations under Homes Now, such as Peel Non-Profit Housing Corp or Cityhome or the Roman Catholic Archdiocese of Toronto, they would be working within a planning framework they were certain of. There were so many hundred units over the number of years. Within that, there might be several different business arrangements they'd be making to deliver particular projects.

At that time of program delivery, the question could arise at a number of different stages in the process. It didn't necessarily arise at once. That's what we've changed. It's now at the very front door. It is a characteristic of the front door now, not something that got talked about as we went along.

Ms Poole: So right now, not only is it written down, not only is it a requirement, but it's initiated at the first stage.

Mr Burns: That's right.

Ms Poole: Would you consider it a conflict, for instance, if the development consultant and the architect were the same person?

Mr Burns: I think the key issue is who is the client and what services are being provided to whom. If a professional architect-designer also had developed a business competence in the general coordination of development and offered that package of services to a non-profit—that was it, just that package of services—then that would just be a service contract.

Conflicts have arisen where you would have professionals also associated with and having an equity stake or financial stake of some form in the actual building or development process. Then they have a financial stake in the business as well as some business relationship with the board of the non-profit. That conflict—it is a conflict—must be declared. I think the term I used yesterday was that the business consequences of that have to be clear; that is, that some things may be done and some things may not. That's precisely what we've put in black and white now in a guideline that applies to the doorway.

That guideline was not in place at the time the auditor looked at our program, and I think he was quite right to say we should be clear about all this. This is one of the things we've done.

Ms Poole: So this is one of the beneficial results of the auditor's report, that you then became committed to have these conflict-of-interest guidelines in place.

Mr Burns: Absolutely.

Ms Poole: I read this morning from the examples that were omitted from the auditor's report, where you had a development consultant who was also the real estate agent, a director in the construction company building the project, with voting shares, and the property manager for the building, as well as several other projects completed by

that non-profit group. Could that type of scenario happen under your new revised guidelines?

Mr Burns: First, there's no question that what you just characterized contains a whole series of very thorny conflicts of interest. The first thing we would have to require is a series of declarations.

My sense, under our guidelines, is that some of those roles you just defined run into each other, and under the current situation, the business practice consequences of that many conflicts would mean you couldn't do that many roles and get in the door of our program. That's too many conflicts in one set of arrangements. Under the guidelines we've just promulgated, the business situation you've just described I don't think is going to happen.

Ms Poole: One of the precepts in a conflict of interest is that somebody should not be gaining out of their position over and above what they were contracted for their professional services. For instance, if you had somebody who was the development consultant, which, as you described this morning, is the project manager, who also carries over into these other areas, they could very well make a decision, not on the viability of the project or cost savings for the project, but they could make a decision on what was going to benefit their other position and the fees charged for that.

Mr Burns: You're absolutely right. That's why I said you have to go beyond the declaration of a conflict to identify its consequences. In the kind of conflict you just identified, the consequence is that that person may not make those decisions.

Ms Poole: Perhaps in the time remaining you could just go over the conflict guidelines you have developed for all new proposals as of December.

Mr Burns: I said that we actually have copies on the way to hand out to you, but I'll walk through its provisions.

Ms Poole: Do committee members want to wait until we have the actual copies?

The Chair: The auditor wants to make a point.

Mr Peters: I think Mrs Marland brought up the point and you brought up the point that this is in a report not reflected in the annual report that was before the committee but was in the final report issued to the ministry. There's some question, of course, raised as to why it is not there.

I'd like to clarify this. Number one, it is not there because this particular conflict you're reading out was not an audit finding. We were aware when we did the ministry audit that it had identified this situation itself and was in fact using that very situation as one of the cases to develop new guidelines on conflict of interest.

Ms Poole: The ministry actually brought it to your attention?

Mr Peters: That's right. Well, we raised it with them.

Mr Peall: Regarding the one situation you're reading from, the very involved one, senior management was aware of that particular conflict, and we had discussed it with them and the kinds of actions that should be taken to avoid that kind of situation in the future. The other five of

the 12 that we cited in the report were something they weren't aware of.

Mr Peters: I just wanted to clarify that it's not an omission from our report; it just was not an audit finding. It was a situation that the ministry itself was acting on. In fact, we have reviewed since that time the conflict-of-interest guidelines that I guess the deputy minister will now be referring to, and we found that they dealt in a satisfactory way with this particular situation, and this is why the item did not find itself in the final report.

1440

Ms Poole: What about the five of 12 projects that you reviewed where the development consultant and architect were the same individual or firm? I just wondered why that particular point would not have been in your final audit report.

Mr Peall: Our main point was that we were trying to demonstrate whether these things contributed to higher costs. The whole issue we were making throughout that section was, are we controlling development costs adequately? We couldn't prove from the conflict situations whether they actually added to costs or whether there was any wrongdoing as a result of them. We just pointed them out as a definite risk of doing business this way. We alerted the ministry to them as soon as we realized them and put that in the final report to it as well, to make sure it was dealt with. But because it didn't contribute to our main point—our main point was really the way they remunerate development consultants—that's the way we summarized it in the report and chose not to put it in the annual report.

Ms Poole: Because your findings didn't prove or disprove fiscal or financial consequences, you decided to remove that section; also, due to the fact that you felt the ministry was dealing with that particular situation?

Mr Peall: That's correct.

Ms Poole: Okay. Thank you.

Mr Peall: The material will be here in short order.

The Chair: You have about two minutes left.

Ms Poole: Did we want to wait and perhaps pursue that with a further line of questioning, as far as the conflict of interest is concerned, waiting until we have the copies in front of us?

Mr Tilson: Yes.

The Chair: I guess we could do that.

Ms Poole: Let me in the brief time I have pursue—

The Chair: Just one question and one answer.

Ms Poole: Okay. If you go back to the pie charts in the first set of graphs and charts you gave us on Tuesday, you had one called Typical Capital Cost of Non-Profit Housing, Sample Project for Families in Metro Toronto, 1991. In cost per unit, this typical sample showed that construction costs were 65.6%. Do you have any indication of whether this would be in line with what construction costs would be in a comparable private sector building?

Mr Burns: I think we talked a little bit yesterday about the difficulty of making totally direct comparisons, because when we were delivering the non-profit program

we went through a rather extraordinary set of changes in the condominium market, which is the principal other market. This isn't a poured concrete apartment building that we're looking at in this particular case.

I think we said before that we do track costs. I think Mr Daigeler alluded to the fairly sophisticated system we have in Hamilton, but of course we have some tracking system in every regional office. We also keep track of the monthly construction price indices that are published dealing with the whole of the residential construction industry. Our view is that the costs and the changes in costs over time in our program were in line with industry conditions and with changes in them.

In some markets we were producing at a lot less than private sector producers, in others they were closer together, but I think that had to do not so much with construction costs but with demand-supply conditions in the ownership market, which got to a rather extraordinary state in 1989.

The Chair: Mr Tilson, 20 minutes.

Mr Tilson: I'd like to proceed with a line of questioning on the subject of consultants. I became interested in this subject when I was first elected to this House. Having sat on a non-profit housing corporation in my riding, I saw how the system worked from another viewpoint. I found it interesting at that time and I find interesting now, the whole process.

When I was first elected, I had a study done for my office. I obtained copies of the starts at that time—this would be in the spring of 1981—and I believe it was 117 starts, and now there's roughly 500, I think, currently.

Mr Burns: Social housing starts in a month?

Mr Tilson: No, no, I had a copy of the current applications that were outstanding. I don't know how many there are now, but it was based over—

Mr Burns: Applications, okay.

Mr Tilson: I had information produced to me of 117 Homes Now projects, and this was in—

Mr Burns: Oh, I see. I'm following you now.

Mr Tilson: I'm giving you this background information on the gist of what I discovered in my report, which was a fairly voluminous thing: It produced all the consultants who had worked on these projects, all the lawyers, everyone who was involved, and it was all set out on the various application forms. The figures I have in this report are obviously substantially different now, because a lot of water has gone over the dam since, but I found some interesting things, and the principles I will be referring to I believe still exist.

Mr Burns: Without wanting to distract you from your line of questioning, this is 1981?

Mr Tilson: No, 1991. It was in the spring, April or May 1991. I discovered that when one talked about legal fees, for example—there's a section in the forms dealing with anticipated legal fees—one did not anticipate the cost of OMB hearings. I don't know whether that's changed or not, but it certainly didn't then. The particular development I was involved in did have some OMB hearings; we went to the Ontario Municipal Board. In other words, it

went beyond the incorporation, it went beyond the various contracts that one could get into. At that time, from the findings I had, I believe between 15% and 25% of the projects went to OMB hearings for different things, presumably zoning matters.

The other thing I was concerned about at that time and which I am still concerned about is the process of hiring consultants. It's this area I'd like to get into, and I raised it briefly yesterday: the subject of hiring consultants. The group I was with were volunteers from the community. How I became involved? I happened to be an elected official in the town of Orangeville—I sat on council—and a number of other councillors were there and there were other volunteers in the community. There were non-profit groups that had church people, as Ms Harrington has put forward, people interested in the housing issue, perhaps qualified in some areas and not in others, but they were basically volunteer people. That's why I got into the topic of consultants and the hiring of consultants yesterday.

I'm not going to name the particular consultant, because the consultant who was doing the job was doing it in an admirable way. I'm looking at the process. My observation was that the consultants were basically to walk through the boards, through projects in various stages of approval and development right to the time they were finished: dealing with the ministry, all the funny forms you've got to fill out—and I say that with respect, because they are quite voluminous, some of them—dealing with the developer, dealing with the municipality. A lot of it, in my view, is walked through.

The costs of these consultants show up under the organizational expenses on project budgets and are based, as we have indicated in the past, on a percentage of the capital cost, including the capital cost of the land, which can be substantial, particularly if you have a number of consultants dealing with a whole slew of these projects. They make a lot of money, these people, a lot of money. I don't know if you've ever done a study, but I can tell you, the same names show up over and over, and they make a lot of money, particularly when they get a percentage of these projects.

A definition of what the Ministry of Housing considered an organizational expense was put forward, but at that time, we discovered that \$10.6 million of the \$23.3 million in fees and charges—remember, this is back in the spring of 1991—was for so-called organizational expenses. That's the consultants, most of it.

The MOH guidelines for organizational expenses, we discovered, were exceeded in 26 applications of the 117 examined, and the ministry appeared to have rolled back 12 of those, although one was actually increased.

1450

Overall, in this study that I did and that's never been refuted—I don't know whether you personally have seen it, but it's certainly been made available to people in the ministry—the estimate of organizational expenses agreed with or exceeded the non-profit producers' estimate almost 60% of the time. The point I'm trying to get at is that at that time and, I believe, now, the ministry simply appears to be

rubber-stamping many of these organizational estimates as opposed to properly scrutinizing or controlling them.

It gets back to the two areas we were concerned with yesterday. One was the area Ms Poole discussed, and that was conflict of interest, and the other was putting forward a product under proper scrutiny. I am submitting to you that at that time and now there isn't proper scrutiny of these particular areas.

I also mentioned architects, and of course you pointed out that you don't hire architects, but you do have something to do with these consultants. In fact, the ministry provides a list of consultants, as you gave in your comments yesterday, to groups like the one I was in. We don't know who the heck these consultants are. We know darn well we're not going to proceed in these darn things without someone to tell us what to do, how to fill out your forms and how to do a number of other things. We're not going to be allowed to proceed with it.

I'd like you to spend some time on a number of areas. I would like to know how you become a consultant. How do you get there? Who is a consultant? Where do these people come from? I believe a number of them came from the ministry. They're very experienced people. They came from the Ministry of Housing and they're being paid very well, and that's why some of these remarks are being made against the consultants. Again, I'm not going to attack them personally, because it's a system that's been devised, and these people, this government, didn't devise it. This was devised by the Liberals.

I would also like to know, and I'm sure you have figures, the percentage of the consultants who go through the project up until the time there's a shovel in the ground and finish off the project and those who manage it. I'm sure you have figures on that and I would hope that you would produce those to us because, again, that gets into the whole issue of conflict of interest. I would like to know the percentage of the consultants who have a piece of the action, who have interest in—you must have access to that information.

I would like to know, I suppose, the whole concept of what the qualifications are to be a consultant. You approve these people. I'm willing to bet that 99.9% of the time you tell them whom they should look to. You may not say, "Take that consultant," but you say, "Here are two consultants we would recommend."

I'm telling you, sir, I went through one of these myself. I'm telling you what I experienced at first hand. Maybe the one I was in was a fluke, but I'm telling you, I as a volunteer didn't get paid for that. I sat there. I didn't even know you needed a consultant for these things, but I was told by the ministry officials that you had to have a consultant. I'm sure you'll tell us that obviously it's a process where you had to have one.

We asked for recommendations of consultants and we were given a list. That's why I asked you the question yesterday, and yes, we were given a list. My memory is that we interviewed—it could have been two; it may have been three. All those names were given to us by the ministry. I'd like to know how those people get on the list that you produce.

Mr Burns: Okay, you've raised a number of important questions, interesting questions. I think I should walk through them in the order that you placed them on the table.

First, are there cases at the beginning of a project when the 1414 form is filled in? If this is what you're alluding to, it's the opening forecast of costs.

Are there cases where the proponent has forecast that there would be no OMB hearing and then there turned out to be one? Yes, and frankly, a significant number of those. You forecast or you estimated that 15% to 25% of non-profit applications end up at the OMB. I don't know what the total number is, but frankly, it wouldn't surprise me if that range was the result. That does produce some extra costs at the soft cost end, not just in consultants but often in interest costs.

Mr Tilson: Ironically, if I could just interject, the consultants get a percentage of all of that. When you have all these legal costs, the consultants get a piece of the action.

Mr Burns: I'm going to return to that in a second, because you asked me that later.

Mr Tilson: Yes, I'm sorry. I shouldn't interject, you're quite right.

Mr Burns: Frankly, I'd personally much prefer a discussion to this kind of formal stuff, but that's the format we're in. So there are soft costs associated with longer processes than anyone forecast at the beginning or expected to happen, and lawyers are only a part of that; interest costs are also a significant part of it.

There is a forecast in the 1414 for the organizational expense and, as I've said a couple of times, the 2% general guideline is something derived from an analysis done by the government of Canada in a Canada-provincial context 15 years ago. The practice of the ministry has moved from one of a more general acceptance of a guideline-based system, which we were just discussing, to one that's based on a clear definition of the services to be provided and the fees associated and a fee-for-service approach, if you like, which is more in line with what you would have from an engineer or a lawyer in a particular case. Our costs in this line are now running at 1.4% of capital costs, not 2%.

You alluded to the sample that you looked at and indicated that in a number of those projects the organizational expense exceeded the 2% and that we had rolled back a number of them, which is true. But we'd also accepted a number of them, because there are cases where there are difficult community development problems, either of the type that you alluded to, a difficult planning approval process and a board hearing, or ones associated with the nature of the community you're dealing with. If you have a small project and you're trying to create a housing situation for people with special needs, you often need to put more organizational effort into the front end.

Mr Tilson: Can I just stop you at that point and talk about the personal experience that I had?

Mr Burns: Sure.

Mr Tilson: The particular group that I was involved in did get involved in a zoning application which went through the municipality and went off to the OMB. You talked about the consultant being obliged to go through

that process, and you're right. What does the board know? They don't know anything about these things. So the consultant did go through that, but in addition to that, there was a lawyer who had carriage of the action, who acted for the municipality. The corporation hired a hot-shot law firm from Toronto, an excellent lawyer who was experienced in zoning and was well-qualified and extremely well-paid, I might add, who didn't even have carriage of the action, was there really on a watching brief and was advised to be there by the consultant; we needed an independent person.

The point I'm getting to is that the consultant's role continued to be a walk-through, because throughout the entire process we had all these experts we were paying vast amounts of money for. I don't want to give you the figures because I could be challenged on them, but they were substantial. I'm thinking specifically of the legal costs to go to this OMB hearing on a proceeding in which the lawyer did not even have carriage of the action; yes, the consultant was there but had very little to do with it. It's just that it's a concern I have. You say a consultant had additional matters to get involved in. Yes, the process was going through, but we hired people to look after us on those issues.

1500

Mr Burns: Well, boards have to make these judgments. They take advice from their advisers. I don't know what the nature of your OMB—

Mr Tilson: Well, in this case it was from the consultant.

Mr Burns: Right, but I don't know what your OMB hearing issues were. But certainly there were other people who have gotten into the same situation you're describing—

Mr Tilson: Oh, I'm sure. I'm sure ours is minor compared to some of them.

Mr Burns: —and took the same actions.

I didn't mean to suggest that a development consultant or a project manager would do the work of a lawyer or an architect, but rather, for example, if the object is to try to create a housing situation for people who had formerly been in psychiatric institutions, then you have to do work with support service agencies. There are other things involved in creating the project than are involved in a more conventional, straightforward family project. That's what I was really alluding to.

Our requirement, and we touched on this yesterday when we were looking at the stages in a project's development, is that a non-profit group who wish to create a housing project have to demonstrate that they've gotten together a competent team. In most cases in Ontario, that means hiring a general project manager, usually called a development consultant. That's not always the case. In fact, it's been touched on before that there are people in the architectural profession and in other parts of this who will do this work, and in the larger municipalities, community groups sometimes use the resources of the municipality. I know that in Peel, Peel Non-Profit has done development work for community groups in Peel. That's true in Toronto and in Ottawa. So there are some places where people don't rely on what we've been calling here "development consultants."

Mr Tilson: Before you leave, because I don't know what time we've got—how much time do we have?

The Chair: A couple of minutes.

Mr Tilson: I do want some sort of commitment from you, sir, before you finish, and I know you could go on for some length on this, because I've asked you—

Mr Burns: I'm almost done.

Mr Tilson: But the point that I was concerned with, particularly when we know we're going to be talking about conflict of interest again, and since you have indicated that your ministry is concerned with that topic—

Mr Burns: Yes.

Mr Tilson: —I assume that you have statistics of the consultants who have worked in all the projects from 1986 on or whatever and what those consultants have done; in other words, whether they're architects or whether they own a piece of the development company or whether they do this or do that, or what they manage. I assume you have lists of that and I would appreciate that.

I would also like in the final minute for you to tell me: What is a consultant? How do you get to be one? How can I get to be one? I'd love to be one. I'd make all kinds of money.

Mr Marchese: You can be. I'll come with you.

Mr Tilson: I'm sure you would. We could set up a team.

Mr Burns: Get all the bases covered.

You asked about whether we knew how many situations there were where a company was offering project management and also property management and stayed with the project after opening. That information is in our files, but we've never extracted that particular set of data or had any report on it. It would require a significant amount of research, but the information is there.

The question of conflicts and whether, as conflict declarations are made and exist in our files, they show any pattern—whether a particular company has got more than another—again, that would require us to search all of our files, but we keep track, obviously, of those declarations and they are in our material.

I think I said yesterday that this is not a regulated industry or a licensed industry. It's not like architecture or engineering.

Mr Tilson: They are being paid a lot of money, Mr Burns. They really are.

Mr Burns: Project management in the real estate industry—

The Chair: Twenty minutes. I'm sorry; we're out of time. Ms Harrington.

Ms Harrington: I'd like to first come back to the question that we discussed a bit this morning, and that was with regard to ensuring that the selection process for the projects is a very fair and open process.

Just to back up for a minute, it's our responsibility, as has been noted by my colleagues opposite, to make sure that there is proper scrutiny, to make sure that it is a fair process and to make sure that non-profit housing is very

cost-efficient. Some time ago, when this government was elected, we looked at the system that was in place at that time. I think it's very fair to say that there were some loose ends. I think it was messy in some places. There were no operating agreements is one example.

We took the job very seriously, the responsibility and scrutiny to tighten up the process, to make changes, and what we need to hear from you this afternoon, Mr Deputy Minister, is what are some of those changes that have been made, because the process was not perfect. It still is not perfect, but what are the changes that have been made?

I want to ask you first of all to assure me that this process of selection of the allocations, selection of the groups, is a very fair and open process. I want to know what changes have been made in the last while.

One of the other questions I see as very important in the future is that the auditor has emphasized the needs and demands studies to make sure that in the future the allocations go to where they're needed, so I'd like you to also address the needs studies and where and what you think they should be in the future.

Mr Burns: We touched on some of these subjects this morning when you asked a related question.

Ms Harrington: I'd just like to summarize it and conclude whether or not that process is a very fair and open process.

Mr Burns: You asked a related question. I gave a general answer this morning, but I think I'll touch more specifically on the proposal call that we issued in November 1992, the first proposal call under the program announced last spring. In response to a question from Ms Poole, I indicated that, for example, it contained explicit instructions on the conflict-of-interest matter, but I didn't touch on some of the other aspects of it.

Yesterday, we looked at the opening stages of the allocation process that's used in the federal-provincial program. It was used in large measure in the provincial programs that were the subject of the audit, and they are initiated by people submitting proposals in response to a general call. Those proposal calls were relatively general, and the first stage of information to be submitted can be characterized as preliminary.

What we've now said to people is, "We want to be very clear about what it is we're after; we want to be very clear about what it is you're required to do to qualify; we want to be very clear about the evaluation criteria that will be applied to your application; we want to be very clear about the standard practices we expect," in respect to not just conflict of interest, which we talked about, but contamination, which we've also talked about. We also provided, I think I've said before, some public information rounds. We also provided a clear, simple appeal process.

In this particular case, people who applied got an evaluation. They got a written response telling them exactly where they stood in relation to the program requirements and they had an opportunity to have a dialogue and an appeal. That resulted in far more certainty among groups that are considering applying than existed under the previous system, just to give you a sense, and certainly if any

member of the committee does not have the proposal call we issued in November, we'd be happy to provide them with it.

We provided a context in the openers, which talked about the program, about the policy objectives that the program had as a result of the Consultation Counts process—you alluded to that before—and described the nature of this proposal call. We indicated what format material should be in the submission. We indicated what to do if they needed extra information or had to make inquiries, exactly how to do that. We committed ourselves to a specific, concrete time schedule. We gave clear deadlines and we made it crystal clear to people exactly how the evaluation process would work.

1510

In the appendices or the backup at the back of the paper, we went beyond saying, "You must deal with conflict of interest," or, "You must deal with contamination," by providing chapter and verse of what we meant by that, and, "What would be an adequate response if your project had any apprehension of contamination or conflict-of-interest situation?"

We asked people for evidence that they were a body corporate, obviously, what their mission statement was for a management plan, and for a profile of their clients to deal with conflict of interest, to deal with contamination. We asked them to deal with their land situation. Do they own it? Do they option it? Are they dealing with someone who's made a proposal? Are they also wanting to provide services beyond the physical building? What project management and other professionals had they retained?

We indicated that by applying they had to show to us, by board resolution, that they understood the program policy framework and were prepared to adhere to it in the future processing of their application, and a whole series of other items of that character.

Ms Harrington: Can I conclude that there would be absolutely no room for what would be called favouritism in the press?

Mr Burns: I'm not sure what people all mean by favouritism, but let me answer it the other way around. We provided a system with clear parameters and in every case an applicant got a written response saying, "This was the assessment," had an opportunity to challenge that with the person who made the assessment and appeal it if he had reservations about it, and have a review done by someone else.

This is a far more demanding and rigorous process than the one that we described before that applied to the programs we were dealing with earlier. I was asked yesterday about the character of those allocation processes and I said they proceeded from a framework and went through a number of steps. Those steps were well understood, but they were not accompanied by the level of rigour or specificity we have introduced in this proposal call.

Mr Peters: As a supplementary, you were kind enough to quote our concern about the needs and demands analysis, and in the document you were just referring to there is a geographic allocation outlined on page 7 which,

for example, says that the central region shall get 1,086 units, the eastern region 262 etc. As I said, these targets will provide a basis for distribution. I'm just wondering if I could ask, as a supplementary, what sort of analysis went into these numbers in order to determine the target of, say, 1,086 units for the central region or 206 units for south-western.

Ms Harrington: My question to the deputy minister was, what changes are being made in that whole process of needs and demands studies and what is your ideal down the road and are we going to get there?

Mr Burns: Mrs Harrington asked two questions, the second one of which was very close to the question you just asked, so let me answer them all at once.

Mr Peters: Oh, I thought you were through with that one.

Mr Burns: No, I was through only with talking about the character of the proposal call. I was catching my breath for a second. It says right in our document, on page 7 in the preamble to that chart you were just referring to: "The new allocation model intended to be used for Jobs Ontario Homes is in the design stage. Therefore, the following regional targets have been established using the fair share allocation model." These 2,000 units, the opening doorway, this regional allocation was done using the traditional federal-provincial model.

Mr But was here a little earlier with some material that Mr Tilson referred to before which was going to be, and is in fact, a walk-through of the design work we are doing to create a different regional planning model, a made-in-Ontario planning model, from the one we've been using, the federal model. The federal model, as rooted in a concept that's felicitously called CNITs, core need—

Mr Tilson: That's not "snitch"?

Mr Burns: No, CNITs, core need income thresholds. Essentially, it's a planning model derived from a statistical analysis that's intended to demonstrate housing need, so it's a needs-driven planning system. What we think makes some sense is not just to use that kind of data but to balance that with some—we have 16 regions in Ontario as a result of our work with 16 planning regions. They don't totally overlap with what would be a logical definition of "housing markets," at least in my view.

In addition to using core need as a concept, we're trying to look at logical housing market areas, and within those to look at waiting lists and the character of waiting lists to look at the underlying growth rate. It's one thing to be dealing with a region that's experiencing decline in population; it's another to deal with a region experiencing population growth. That feeds into looking at the character of occupancy in the current rental stock in the community. Is there vacancy? How is that distributed across the stock? Is that a long-term phenomenon or a short-term one?

We're looking to a methodology that will look at more aspects of housing market conditions in a housing market and rely less on this needs-based planning system that all the non-profit programs in Canada have been using for somewhere between 10 and 15 years. The kinds of things that we're getting at and the way we're getting at them are

summarized in the material that Mr But handed out and that he was willing to present and would be willing to present whenever the committee might wish that.

Ms Harrington: Hopefully, we will get to that tomorrow.

The Chair: Mr Marchese also wanted—

Ms Harrington: Could I make one concluding statement and turn it over to Mr Marchese?

The Chair: Sure. Yes, go ahead.

Ms Harrington: With regard to the studies and where allocations will go, I feel in the future it's very important to work with municipalities and get them involved in it. I know in Niagara Falls there has been a lot of discussion in the past week or two about the need or lack of need for non-profit. They really don't know where to turn for really accurate statistics on the need. One thing they haven't even thought of is that in Niagara, we have the highest number of people paying more than 50% of their income for rent. The highest number of people with that kind of problem are in St Catharines, Niagara, because we have so many people out of work, and yet there are vacancies, but this is also a fact.

I think we have to work very much more closely, have the provincial level and the municipal level examine what's really happening in their municipalities and plan for the future, not just the downturn in the next six months or something but look long-range. I'm really hoping that needs will stimulate a more integral look at the community to see what's needed.

Mr Burns: I think this is an important point. A number of municipalities have done quite good assessments of their local housing conditions and created housing strategies within their own official plan, many in response to the Planning Act statement on housing policy issued in 1987-88 and financially supported by the Ministry of Housing over a number of years. In some cases, that's very helpful to the kind of exercise we're talking about here. In other cases it hasn't been quite as helpful, partly because you have municipalities that aren't the real market and partly because they've only, for their own logical reasons, looked locally at parts of the housing market picture.

We are doing some work looking at housing market conditions now, and while we are doing that, we are doing that in dialogue with the local municipalities whose jurisdiction is the community we're looking at.

Mr Marchese: Mr Burns, in my community we have a lot of Cityhome projects, non-profit and cooperative homes. One of the typical problems we have in all these projects is that we have a lot of electrical costs, space-heating through electricity. In some cases, the electricity costs are so high that they put a tremendous burden on the project or the tenant, depending on the arrangement.

Mrs Marland: Jack Layton could afford it in his Cityhome project.

Mr Pat Hayes (Essex-Kent): A little order here, Mr Chairman.

The Chair: Order, please.

1520

Mr Marchese: The difficulty with all of this is that this is a horrific legacy that some of our colleagues on the other side have left us with many years ago. But what have we done? In some cases, some of these tenants would say, "We're not even in the room" or "We haven't been in our place for a month and put down the electricity to a very low level and we still pay inordinate amounts of dollars on electricity." Have we done anything to help those people? That's my first question on this issue.

Mrs Marland: They haven't been in it for a month because they're in Florida.

Mr Marchese: I can't believe you would say that, Margaret.

Interjection.

Mr Marchese: God's blessings, Peter. I'm sorry. Mr Burns, go ahead.

Mr Kormos: Mr Chair, on a point: Could you please ask Mr Marchese to be quiet because I can't hear Ms Marland. Oh, I'm sorry. Did Mr Marchese have the floor? I'm sorry.

The Chair: We're going to give Mr Marchese some added time.

Mr Marchese: Thank you, Mr Chair.

Mr Burns: There are a couple of things I'd like to say about this in particular. Your first utility costs, as a cost of doing business, are another one of the items in the list of 30 basic program cost areas that we're looking at that Ms Poole asked about earlier in addition to refinancing, which we've already touched on.

Through a lot of the late 1980s a great deal of social housing stock was built with electric heat. There was a marketing push on for electricity at the time but, perhaps more importantly, construction costs bumped up against the MUP. It really forced people to trade off capital costs to operating costs. They had to minimize their capital costs and they were willing to make capital investments that resulted in higher operating costs, and the utility area is one of the clearest areas where that happened. A generation of buildings got built with electric heat, and we all know what's happened to electrical rates.

That practice has been stopped as of—I guess it's getting close to two years ago now. Wherever feasible, gas is to be provided as the energy source in a building, not electricity. That did result in a bit of a capital cost bump. I think I alluded to that when I was talking about what happened in early 1991. One thing that happened is the introduction of the GST. Another thing that happened is that the then Minister of Housing said, "We're not doing this any more," and that did bump capital costs in some projects. It lowered operating cost but bumped the capital cost.

So the first thing we've done is on a broad basis, where there's energy alternative to electricity, which is most sites, we're not having electrically heated buildings.

Second, this year or next, we have a two-year pilot program running in the whole social housing sector to look at replacing electrical heat with appropriate alternatives. Its acronym is SHERP, social housing energy reduction

program. In that program, we're not just doing some of the obvious and conventional things like putting in high-efficiency gas furnaces where there were old oil ones or taking electric heat out of town houses and that kind of thing. We're actually experimenting with some more dramatic forms of technical change.

The toughest stock to get at is the stock you just touched on: high-rises fitted with electrical heat. They don't have duct work. They don't have pipe work. How do you switch to a different heating system? We're doing some frankly technical experimentation in high-rises to see whether we can't get gas-based systems, even hot-water-based systems, retrofitted in a cost-effective way in a high-rise context, all in pursuit of tackling another substantial area of operating cost within the social housing sector, utility costs or energy costs.

SHERP is intended of course not just to directly reduce costs in the buildings that it's tackling but to provide a base of technical work and business practice that we can use in the future when people want to tender retrofits, who want to look at technological alternatives, who will have a body of knowledge in the Ontario Housing Corp and in the cooperatives and non-profits about how to do that.

Third, we have strongly encouraged people to join bulk-purchase pools where they're using gas. The big operators, where they have a large stock—and certainly Cityhome is one of them—switched to bulk direct purchase of gas from the west some time ago at considerable savings. But if you're a church group or a community group and you only have one project or two and you're on the gas system, it's a little hard to get at that purchase system. So we've been working with the social housing operators to try to find ways to get more people into bulk-purchase arrangements where they're using gas as their energy source, again much more efficient purchasing, much more cost-effective.

The fourth aspect of this is a tough one and you just touched on it. What happens in those electrically heated buildings that either we haven't retrofitted or can't when you have high costs, when you have bulk metering—you don't have individual metering—and you lock that into the income situation that a lot of social housing tenants face, fixed incomes or social assistance incomes with fixed utility components?

That is a very thorny problem because you get real estate issues, social assistance administration issues and energy conservation issues all running into each other. Frankly, there's no magic answer to that one and what people have been trying to do is tackle the issue on a building-by-building basis.

The Chair: That's it.

Mr Marchese: I'll come back.

Mr Cordiano: I want to return to a statement, Mr Burns, that you made I believe yesterday at some point. I wasn't clear as to what the intent was behind this statement, but you said something like this: Costs for maintenance and upkeep in the non-profit sector are higher than in the private sector.

Mr Burns: Yes, they are.

Mr Cordiano: I have a hard time understanding why that would be. What's your explanation for that? What can you point to to tell me that maintenance costs and upkeep would be higher in those buildings?

Mr Burns: Ms Poole asked me this question yesterday.

Mr Cordiano: She did?

Mr Burns: Yes, she did.

Mr Cordiano: She followed up on this?

Mr Burns: No, she raised it yesterday and you're now asking for some elaboration of it, which I will give.

The two costs she pointed to directly were administration and maintenance. On the administration side, we require non-profit, cooperative and public housing landlords to incur significant administration costs because of the program administration requirements we lay on them. They have to run tenant intake and placement systems. They have to assess people's incomes. They have to reassess them every year. There are a series of administrative practices they must follow that go beyond what any private landlord would have to do.

Mr Cordiano: I recall that part of it.

Mr Burns: On the maintenance side, we spend more money per unit on maintenance in a general way than is spent in the private sector per unit per year. Partly I think that's because these are public services and people expect a consistent high standard, and that perspective or approach, a consistent high standard, is what is built into budgeting and program delivery on the maintenance side of things.

In some cases the social housing providers operate with older buildings and with a tenant population that creates significant wear and tear on the building. We have a high proportion of young children in a lot of social housing projects and they simply wear things out, as they ought to and certainly as mine do. That has to be dealt with, and that's another characteristic of the situation.

1530

Just let me go on for a couple of seconds. I also said—this is also reflected in the auditor's report—that the distribution of costs for these items among social housing producers shows quite a lot of variation. We believe that's something that's got to be looked at intently. It is in fact one of the other items in the list of 30 that Ms Poole asked about earlier.

We are working right now on a project called norms and standards, where we're looking at basic subelements of the operation of a building, at norms in the social housing sector, at norms in the private sector, to create some benchmarks against which, at the minimum, we can ask questions. There may be reasons for diversion from benchmarks, as there are on the utilities side, but we don't have a commonly accepted base of norms and standards for sub-categories of operating costs in the social housing sector at large, not just non-profit and co-op.

Mr Cordiano: Let me make this comment. There are, in the non-profit model, quite a number of units that are operated on a co-op basis. They're not just simply supportive or social housing.

Mr Burns: Yes.

Mr Cordiano: That implies that residents would be part of the overall maintenance of a building, sharing in the administration and undertaking all of that. It's very difficult for us to sit here and for me personally to understand how the operation of these units would be more expensive if a co-op model is working the way it was envisaged.

Mr Burns: I didn't distinguish among parts of this, but the co-op sector, in the evaluations that have been done nationally and the data we've looked at here, consistently shows the lowest administration and maintenance cost for exactly the reason you just identified, that is, there is a contribution made by the residents, and that has an impact on the rent charges or whatever they're called, housing charges. The co-ops are the lowest-cost operators, public housing is the highest-cost operator and the municipals and privates are in between.

Mr Cordiano: I'm sorry, but we're talking about the whole non-profit sector, assisted housing, the construction of new units that are coming on board. When we're talking about that, I imagine your figures are average figures, weighted for all of those together. Unless you can tell me that the weighted averages—I don't believe this to be the case. At least in the initial part of the program when we started it, the disproportionate numbers were to co-op housing.

Mr Burns: No. I don't know what you mean by proportions. I can tell you absolutely—

Mr Cordiano: Yes, let's get to the absolute numbers.

Mr Burns: The proportion of the non-profit program that is non-profit cooperative under Homes Now is somewhere between 15% and 18%.

Mr Cordiano: Everything that you're bringing on stream now?

Mr Burns: I'm sorry, I'm just going to go on. On the 10,000-unit program—the end of Homes Now, and the 10,000-unit program is what's in the system right now—that program is 38% or 39% co-op, from my memory. The program goals for the new program are that—this is expressed in bands—in a general way, the program contemplates one third cooperative non-profits, one third municipal and one third private non-profits. Looking back at Homes Now, which is the main program that was the subject of the audit, that program is somewhere between 15% and 18% non-profit cooperatives, about one third municipal non-profits and about 60% private non-profits.

Mr Cordiano: What's a third municipal non-profit? Is that assisted housing, supportive housing, in a sense? Would that fall under that category or would it fall in the private non-profit?

Mr Burns: Most of the housing that would be called supportive housing or housing for people with special needs is provided by private non-profits, but there is some in the municipal sector. By the municipal sector, I'm referring to organizations like Peel Non-Profit, City Living in Ottawa, the Metropolitan Toronto Housing Authority, the York Regional Housing Authority and Nepean Housing Corp. Many of those companies make some provision for

supportive housing—that is, housing with services directly attached—and all of them make significant provision for people with physical disabilities. That's part of their program.

Mr Cordiano: So the bulk of what's being built now is in effect, and has been for the last number of years, supportive housing which basically falls under both categories, municipal and the private.

Mr Burns: A substantial proportion has been supportive, but in fact the largest portion of the private non-profits is not supportive housing but housing sponsored by groups such as the Roman Catholic Archdiocese of Toronto, the Presbyterian Church, local community service clubs, the Knights of Columbus, organizations rooted in immigrant communities, the Columbus Centre, just to name a building you probably know. Those kinds of groups are all captured by the rubric of "private non-profits."

Mr Cordiano: That brings me to the next point that I have. With respect to the \$1.2 billion in operating costs projected for 1995, what is the target mix that is being used to calculate that figure for 1995 with respect to the rent-geared-to-income?

Mr Burns: The bulk of that is in projects that either exist or are under way now, so their target plans are known. The additions in terms of new commitments will come from the residual of the federal-provincial program, which, as you saw in yesterday's slide, is down to a few hundred units a year. The remainder of the program we've been touching on here is the Jobs Ontario housing program.

Mr Cordiano: The auditor points out, if I may just try and help you out, because we're going to run out of time here, that the average income mix in the sample that was used, 30 projects, puts the rent-geared-to-income proportion at close to 75%. That is getting significantly higher than the amounts that were stated originally with a view to integrating these buildings. That's a point I was trying to make earlier. The concern I have is that if you're using a lower figure than, say, the 75% the auditor is using or looking at, which is the average that is figured in the 30 projects we looked at a sample, your estimates or projections about what operating costs might be in the year 1995 are too low. In fact, you'll have much higher costs.

Mr Burns: The 75% rent-geared-to-income is the experience of recent federal-provincial program delivery and of Homes Now taken together. It's, as I said yesterday, not 100% households in poverty, but banded so that there is deep-core band and a moderate-income band and a market band. Those proportions are what has been used in our forecasting model for costs in the middle part of the decade.

Mr Cordiano: I suggest to you, then, that the estimates and projections you have are incorrect and the amount that is going to be required to be budgeted for in those operational years is underestimated. That is a fact of life, perhaps, that's the reality, but we have to understand that and I think that has to be reflected accurately, because we simply are dealing with a case of operating budgets which are going to explode in 1995, 1996, 1997 and onward. We're not talking about a program that's relatively inexpensive; we're talking in the hundreds of millions of dollars.

Mr Burns: Expenditure forecasting, like most kinds of social science and economic forecasting, is not an exact science.

1546

Mr Cordiano: Perhaps not in government circles, but it's got to be more exact these days, because we are facing difficulties.

Mr Burns: It is as exact as you can make it. I think what you do is subject it to some tests of sensitivity. How much would it swing if some of your key assumptions changed? Our actual expenditures, compared to the forecasts we were making two or three years ago, are significantly down, and that's a combination of the cost restraint exercises we're going through and the benefit that we've been getting from a change in interest rates and construction costs. If you went back and looked at what we were forecasting a couple of years ago about expenditures now and next year, you'll find we're down considerably from that. Now, am I going to sit here and pledge my first-born child to what conditions will be like in 1996? No, and I don't think anyone else will either, but we do test our hypotheses when we make these forecasts.

Mr Cordiano: I don't know how much of my time we have left, Mr Chairman.

The Chair: You have until 3:47.

Mr Cordiano: I'm going to allow some time for Mr Daigeler. Again, going back to the points I made earlier, it's not a case of using one model for economic forecasting versus another. I think basically what we're talking about is not having a real understanding of what we're dealing with. It's simply not possible to even make an accurate assessment and for us to be reasonably assured that we're on target. We're making this up as we go along, and the kind of projections that are being talked about here are absolutely scary.

On a philosophical level, I'm supportive of the non-profit sector, but when people look at this program and it's getting out of hand the way it has and costs are uncontrollable, and in fact in a recession, in a downturn in the economy, we don't see efficiencies being made and we still don't see the benefits of the downturn in the economy resulting from the program, then it causes grave concern on the part of members, at least on the opposition benches. I know in my party we supported this program when we were a government, and we still do, but the fact of the matter is that we have to get some control over what's going on.

With respect to the projections that are being made, it is scary in terms of the amount of dollars that will be spent in the subsequent years of this decade. So we have to get a better handle on it, we have to become more precise and we have to have an accounting procedure, as I said, which everyone can understand and everyone can point a finger at as to the viability or the economic efficiency that's being undertaken here.

Mr Burns: I know we're close to the end of this, but let me just say two simple things in response to that question. First, I want to emphasize how seriously we're taking the question of tackling costs. We just touched on some of the elements we're looking at. We are tackling our cost

structure. Secondly, in the last couple of years, our forecasts have been very accurate on the operating side.

Mr Daigeler: The auditor pointed out that the operating costs vary significantly between and across the regions of your ministry. Why is that? More specifically, why are the operating costs so much higher in Toronto? I'm not talking about the capital costs; I guess some time ago, this could be understandable. But why is there such a tremendous variance across the regions and specifically, why so high in Toronto?

Mr Burns: The single most important reason is that the capital costs for projects in the Toronto area are significantly higher than capital costs in the rest of the province, and that rolls over into operating costs.

Mr Daigeler: How is that? How do the capital costs roll over into the operating costs?

Mr Burns: If you have one building that cost \$100,000 a unit to build and one that cost \$50,000 a unit to build, then the operating budget of one is considerably smaller than the other. The operating budget is made up of rents and our transfer payment, so our transfer payment is smaller if the capital costs are lower. The single most important reason why administrative costs in Toronto are different from the rest of the province is the capital costs.

The Chair: It's basically to carry the mortgage. That's the big difference?

Mr Burns: Yes, the mortgage payment costs are higher because the cost of creating a building is higher. Secondly, many of the other cost elements in the operation of real estate or housing have been higher-priced, more expensive, in Toronto than they have been in a lot of other communities, and that flows through to operating costs. Third, in the mix, there's a higher proportion of our social housing stock in Metro Toronto that is supportive housing that's dealing with a tenant population that has needs beyond ordinary tenancy and there are extra costs at the centre of those organizations. Those are the three most important reasons why there's a variance between Toronto and smaller communities in the province.

Mr Daigeler: I don't know whether it is permissible, but I'm wondering, if these are such obvious reasons, and it seemed to relate to some standard policies, why the auditor would put so much emphasis on this variance problem. I don't know whether the auditor might want to respond to this.

The Chair: We just happen to have him here. Maybe you could repeat your question, Mr Daigeler.

Mr Daigeler: Yes. If the answer is so apparently simple, why did you put so much emphasis in your report on the variance across regions, and specifically in the Toronto figures, on the operating side?

Mr Peall: In Toronto we did have some comparable data that we could get, so we did want to at least compare what projects we saw in Toronto with that. We also did want to show the regional variation, and in doing that I should point out that we did exclude all special-needs projects from our sample to make sure that it was a relatively comparable sample. We thought we would exclude

anything that should have extraordinarily high costs, and the costs you see in that schedule exclude most capital costs, so we're not talking about mortgages, utilities and taxes. Those costs are largely uncontrollable once the unit is built. We're just talking about the labour and related, the administrative, those kinds of things, and that's why we felt that variation needed to be justified.

The Chair: That's a good point. We'll have to follow up on it in the next round. Mr Desjardis, Mrs Marland, 20 minutes.

Mrs Marland: Mr Chairman, I really believe that when we're discussing non-profit housing there are some things that we're losing sight of here. I used very strong language this morning when I said that the current non-profit housing program in this province is a scam. I want to explain why I really believe that, and why I agree with the statements that addressed the concerns, not of the Conservative Party or the Liberal Party or the New Democratic Party; the auditor's report expresses the concerns of the auditor, who is responsible for the expenditure of the public dollar in this province.

There is a member of this committee who lives in a co-op housing project, and when I have discussed with that member how that member feels about living in a co-op housing project when that member earns in excess of \$71,000 a year, the answer I get is, "Well, you know, my costs are not subsidized."

The point is that all of these projects, any of these forms of public housing, are actually subsidized in the capital cost of the building by the public taxpayer, and we'd better not lose sight of that. When I joked earlier about perhaps Jack Layton could help out with the example that Mr Marchese was giving, I meant that.

The point is, we have examples all over this province where the wrong people are living in non-profit programs, and on one of the pages of the auditor's report he actually expresses concern about who is there. On page 126 he says, "However, inadequate waiting lists and inconsistent placement criteria and referral practices make it unlikely that those in need of affordable housing will be treated consistently, equitably and efficiently."

We did touch slightly on this subject about who gets the money for all of these programs. We were talking two weeks ago about the family benefits allowance and the general welfare allowance and the fact that we're giving a Somali warlord's family on general welfare allowance. I don't know whether it's actually GWA or FBA. That's all under investigation, and that's happening today in this province.

1550

That's happening in a building that I have had brought to my attention, which happens to be an Ontario Housing building, where there happen to be Mercedes and Jaguars in the underground parking garage. What I'm simply saying is that it becomes a scam when you have these abuses. It becomes a scam when public money isn't going to the people who need it most.

Frankly, I think "non-profit" is a huge misnomer. I think whether we're talking about housing or child care or

long-term health care, when we talk about non-profit, what it really means is that it's no profit for the taxpayer. The taxpayer is losing.

It was interesting earlier this afternoon that Ms Harrington referred to the fact that I spoke last July in support of Peel Non-Profit Housing Inc. receiving a bigger share of the pie in terms of the allocation of units in this province. You bet your boots I would speak in favour of it. If these units are going to be allocated by this socialist government under a non-profit housing program, the best non-profit housing program in the country is run by Peel Non-Profit Housing. They were the originators of non-profit housing in Canada, and I sat on their board as a regional councillor in the late 1970s. I know how they operate. I know how they particular well-run organization.

What I'm saying in that reference Ms Harrington made is that as long as this government is giving out these units, I would rather they went where I know they are well managed. What I want to say—

Ms Harrington: A point of clarification?

Mrs Marland: I purposely didn't interrupt you this morning or earlier this afternoon.

The Vice-Chair: On a point of order, Ms Harrington.

Ms Harrington: Point of clarification, Mr Chair. I would like to ask whether, if a member is lobbying for the non-profit housing, therefore that would indicate a support for non-profit housing.

The Vice-Chair: I'm sorry. That's not a point of order.

Mrs Marland: I think, in fairness, I purposely didn't interrupt you when you spoke earlier this afternoon. I would suggest to you that I would like to debate some time, anywhere in this province, on a public platform, the expenditure of \$2,400 a month for a bachelor apartment in Toronto at the same time that you could open any one of the Toronto daily newspapers and find bachelor apartment vacancies in Toronto at a rent of \$400 to \$450 a month.

This was an example I brought up in the House last year. How can this government say it's okay to subsidize these units between \$2,000 and \$2,400 a month when you could go out and rent in the marketplace the same accommodation for \$400 to \$450 a month? This is where the word "scam" applies, because you're trying to be on all sides, attack and pats and petters, and you're looking after the needy people. I say to you, you're not looking after the needy people.

When the auditor addressed some of the terrible discrepancies that have been addressed in his report, it confirms not from a political perspective but from the auditor's office that some of what we are saying is true. Frankly, if you want to spend \$2,400 a month, then do it and look after four or five bachelors in the marketplace rents that are available today in this Metropolitan area of two million people in Toronto.

I just feel that for the government to be saying that—the answers that the deputy minister has been giving today really give me even greater cause for concern. I think this morning when the deputy minister said "Well, of course, it depends on the design of the audit as to what figures we use"—isn't this wonderful? In other words, if the design of

the audit fits a certain form, then the deputy minister maybe can provide the kinds of figures that are needed.

I find it horrifying to think that we've got this auditor's report—incidentally, issued in December 1992, about five months after I was still believing that the non-profit corporation units for Peel might work—when I see this auditor's report in this form, I also have a copy here of probably 50-odd pages that never even got into the final report. These were draft comments that have pretty scary stuff in them. This draft report doesn't even get into the private report that goes public. This happened to have been leaked, otherwise we wouldn't have it and we have an auditor sitting here saying, as he said this morning, "Actual costs were simply not available." I go back to what I said this morning: It's not good enough that the auditor has to say, "Actual costs were simply not available."

What are we saying here? We're saying, "Oh, we're providing affordable housing." But what I'm saying to you is that by 1995 when you're spending \$1 billion annually in a subsidy, then you'd better be answering the questions and the concerns the auditor has brought up.

As the spokesperson not only for Housing in our caucus but also for people with disabilities, I have a tremendous concern when he says he feels that, "Placement criteria and referral practices make it unlikely that those in need" are "treated consistently, equitably and efficiently." That's a very major statement.

I think it's also a major statement when they say that 25% of the projects they reviewed—the auditor, not the PC party—lacked approved operating budgets, "25%...lacked approved operating budgets, either because budgets and audited financial statement information had been filed late, or because the ministry had not yet reviewed them." I want to know what the ministry's role is in supervising these non-profit programs.

Mr Chair, when the auditor also says, "Controllable operating costs such as labour and administration were high, particularly in central region," is this a non-profit program?

Ms Harrington: On a point of order, Mr Chair: I'd like at this point for the member to clarify. She has made some statements within the last three to four minutes questioning—

Mr Tilson: She's reading out of the auditor's report.

Ms Harrington: Excuse me—

The Vice-Chair: Order.

Ms Harrington: The member actually questioned the auditor's right to be independent, I believe. She questioned the parts that were left out of the auditor's report. She also questions the figures the auditor chose in fact to use. I'd like her to clarify.

The Vice-Chair: I'm sorry. I believe this not to be a point of order and I will have to revert back to Mrs Marland. Please continue.

Mrs Marland: Mr Chair, I want to confirm that I am reading from the December 1992 auditor's report. I'm not reading from any political party's propaganda. I'm reading from an arm's-length report from the auditor, who is responsible, as I said a few minutes ago, to the public of this

province whose money is funding this program that is not addressing the needs of the people.

If it was, you wouldn't house one person at \$2,400 a month; you would house four or five individuals. You wouldn't subsidize a two-bedroom apartment at \$2,300 a month—and I can give you examples of those in Toronto—when you can go out and rent in the private sector a luxury condominium with a Jacuzzi and whatever else you wish, recreational facilities, everything else in the building, for between \$800 and \$900 a month.

Ms Harrington: Excuse me, Mrs Marland, I was questioning your right to question the auditor's report—

The Vice-Chair: Order. Mrs Marland has the floor.

Mrs Marland: Mr Chairman, I think it's totally unfair of this member to keep interrupting me. She will have her turn when the rotation comes around to her. I will deal with this matter while I have the floor, if you do not mind.

Also, I think some of the other scary comments in the auditor's report, such as, "Despite a significant decline"—decline, I emphasize—"in land prices and construction costs after 1989, the cost of projects approved for go-ahead in 1990 and 1991 continued to increase."

This is the way this Ministry of Housing does business. On the outside they want to say to everybody, "Oh, we're looking after everybody in need." Well, the people the Progressive Conservative Party are concerned about are still, in the thousands, on waiting lists.

We are concerned about the frail elderly, the disabled and the people who do need help with housing and we are concerned about the fact that the money is being spent in an extravagant, unmanaged way that is not addressing the needs of the numbers of people who require that kind of shelter help. They need shelter supplements. They need direct help to help them today. They don't want to be added to more and more waiting lists, and that's exactly what is happening.

1600

I'd like to ask the deputy minister, first of all, by 1995—I suppose you agree with the \$1-billion annual subsidy that the auditor has referred to—how many of those units at that time will be occupied by the frail elderly, single parents and handicapped? Based on your answers this morning, you probably don't even have those figures for today.

The point is, when you talk about deep subsidy, shallow subsidy and core needy, to the public they're all words. The public, who can't afford their taxes today because of the deficits this government is bringing into this province every year it's in office, don't understand those terms. The public want to know why people earning in excess of \$75,000 a year live in any kind of subsidized unit.

I'm asking you if you feel proud of the record, and how many people, in terms of actual numbers, directly need the supplement to their income because they can't afford their housing, particularly in those categories I've mentioned, the frail elderly, the handicapped and single parents.

Mr Burns: The forecast of total operating cost requirement in the middle part of the decade you alluded to is one that's consistent with our forecasting.

Mrs Marland: Which is what?

Mr Burns: A billion dollars in the year you mentioned.

Mrs Marland: So you agree with that?

Mr Burns: I agree with that.

Second, at that point, the universe, if you like, of non-profit and non-profit cooperative housing will be about 120,000 units.

In that universe we expect—this has to be a forecast, because as I said earlier, there's a difference between knowing how many units have been specifically designed for people with some physical challenge and the number actually housed. As you well know, having been on non-profits, sometimes they end up in conventional units.

Mrs Marland: Aren't you making that a requirement?

Mr Burns: It's a requirement that a proportion of units be provided in the whole program and in every project, but that's physical design. In fact, most social housing landlords house more people than just in some specific design.

Having said that, the 120,000 units, which is today's universe, are about 20% occupied by people with physical disabilities or the frail elderly. The universe in the middle part of the decade will be about 175,000 units, and the proportion that's occupied by the subgroups we're now discussing here, in my estimation, will be roughly the same, so 20% of that universe.

Mrs Marland: You're saying that for the cost of \$1 billion annually in 1995, 20% of those units will be occupied by single parents, frail elderly and the disabled.

Mr Burns: No, not single parents.

Mrs Marland: Well, that was my question.

Mr Burns: I'm sorry. The frail elderly and the physically disabled were the ones I focused on. I don't have an estimate for the proportion that'll be single parents, but as you well know, that's a fairly high proportion of the deep core family households. We'll take a shot at a specific estimate, but it shouldn't be much larger than the number we're just now talking about.

Mrs Marland: Do you know what those figures are today in those three categories?

Mr Burns: They are what I said for the frail elderly and the disabled. The proportion of households that are single parents we don't know for certain, but we can make a reasonable estimate, based on our experience.

Mrs Marland: And what is the reasonable estimate?

Mr Burns: I can't answer that right this minute. I don't have it in front of me.

Mrs Marland: So you don't know today what your housing is in those three categories?

Mr Burns: I do for the physically disabled and the frail elderly, because they have special characteristics that we would identify as they come in. But a single-parent family is just a family household eligible for geared-to-income arrangements, and we wouldn't necessarily know in every case whether there's one adult or two. As you know, you have to be careful about information you collect in

these situations because of the strictures put on information collection by the Human Rights Code.

Mrs Marland: When you talk about 20% of those units today being for people with disabilities and the frail elderly, how do you feel about that from the standpoint that we're talking about providing housing for people in the greatest need and yet we're talking about only 20% being in that category? When you look at some of the comments the auditor has made, doesn't it give you a lot of concern that somebody outside of your ministry—

The Vice-Chair: You have one minute left. I just wanted to warn you.

Mrs Marland: —that someone outside of your ministry has come into your ministry and concluded, in his words, that, "It's unlikely that those most in need of affordable housing will be treated consistently, equitably and efficiently." How does it make you feel that what your government is saying it is doing, according to the Provincial Auditor, is not happening today?

The Vice-Chair: A very brief answer.

Mr Burns: I'm not sure, Mrs Marland, that this is a forum in which I should express my feelings about any particular part of the issue, but let me say on the question of access—

Mrs Marland: Well, are you proud?

The Vice-Chair: I think at that point we're going to move on.

Mr Burns: I think my oath of office excluded all emotional dimensions to these questions, but I would like to talk about access.

The Vice-Chair: You're not compelled to disclose your personal feelings.

I'm going to move on to the government members, whose time it now is to have the floor.

Mr Marchese: Mr Burns, if you can confirm these statistics—I don't think it's a political question; if it is, you can just tell me. There's a figure here that I wanted to confirm. From the figures I've seen, 61% of all vacant two-bedroom units are priced above \$800 a month. Is that a figure you have seen anywhere that you can confirm?

Mr Burns: Is this for the province or for Metro?

Mr Marchese: The province.

Mr Burns: Frankly, it's not a number I've seen, so I can't comment from my experience on whether it's valid or not.

Mr Marchese: Okay. I just thought it would be useful if you could confirm it, otherwise somebody might say I'm inventing this figure.

Mr Burns: I will ask staff to look at the number, but I'm not acquainted with it.

Mr Marchese: There's another figure I wanted to raise, and if somebody could substantiate it, it would be great: 88% of all vacant two-bedroom units are priced over \$700. Does anybody know?

Mrs Marland: Probably not.

Mr Marchese: That's not fair, Margaret. Now, calm down. I'm sure they have it.

Mrs Marland: Well, let's see.

Mr Burns: I have just been handed the October 1992 rental market survey data for the Toronto census metropolitan area; the source is CMHC's regular rental housing market survey. So this is not the province; it's Toronto census metropolitan area that I'm looking at.

This one says 62.9% of the vacant units are \$700 or above and 38.9% are \$800 or above. That's for all vacant units, so that would include bachelors and one-, two- and three-bedrooms. That, in my estimation, is reasonably consistent with what you said, that two-bedrooms would likely be slightly higher than this. That's looking at the Toronto CMA, but I don't have provincial data in front of me.

1610

Mr Marchese: It would have been useful to have gotten an Ontario picture. I thought it was.

Mr Burns: It may be; I don't know.

Mr Marchese: If it is, the point is that what is available is inaccessible to the people Mrs Marland refers to as being the most needy, and that's an important point. So the question is, how do we address the needs of the needy? It isn't by simply saying that there are lots of vacant places and just fit those people in, because you can't; they can't afford it.

Mrs Marland: They have vacant disabled units in non-profit housing in this province.

Mr Marchese: I want to get back to the question that Mrs Marland raised about how we look after the needy, because that's her concern and it is equally mine. The statement she made is that the taxpayer is losing through this housing project that we're engaged in, through non-profit housing cooperatives and the like.

My argument is that the taxpayer is not losing, that if we follow the reasoning of Mrs Marland and presumably Mr Tilson, if we look at the logic of what they were suggesting earlier, that through shelter allowances or rental supplements we might be taking care of these people who are the most needy, we would in fact be doing the taxpayer a total disservice, because we would be doing several things: We would not be providing housing, which would mean the entire industry would collapse and all the spin-offs that come as the result of that—

Mr Tilson: They should start building apartments again; let's start doing it.

Mr Marchese: Let's start doing it.

Mr Tilson: Well, they won't as long as you keep on with this policy. Why should a landlord get into all this?

Interjections.

Mr Marchese: I want to answer that. I don't mind the interruption.

Interjections.

Mr Marchese: Where is the Chair?

Interjections.

The Chair: Order.

Mr Marchese: Order has been re-established. Thank you, Mr Chair.

Mr Tilson raises an interesting point. He says they would be building if we just changed our policies. Well, in British Columbia, they've done what Mr Tilson is suggesting, and the private sector isn't building. I presume he might say that it could be for a variety of reasons. I don't know what they might be. But they have done exactly what he suggests since 1983—or 1973, I forget which; 1983, I think. But nothing has changed and the private sector isn't building. He's suggesting that if you undo some of the things the NDP is doing, things will start all over again.

Interjections.

The Chair: Order. Mr Marchese, we have witnesses here to answer all of your questions. Mr Tilson would like to answer all of your questions, but—

Mr Marchese: I realize that; you're so right. I was doing what Mrs Marland does. I did what Mr Cordiano was doing and then what Mrs Marland was doing.

The Chair: Mr Tilson's always pleased to help, but we have others who are going to help.

Mr Marchese: Thank you, Mr Chair. I understand what you're saying.

The Chair: Both Mr Tilson and Mrs Marland are always pleased to help, but Mr Burns is here to give you help.

Mr Marchese: Oh, absolutely; I agree. That's why I asked him a question.

Ms Poole: Why don't you answer?

Mr Burns: I didn't have the information to answer.

Mr Marchese: He did answer the first question.

Ms Harrington: Are you finished?

Mr Marchese: I'm almost finished. I'll defer to my colleague in a moment.

The Chair: Ms Harrington's been waiting.

Mr Marchese: I know, but she'll wait until I finish. So on the vacancies part, we're establishing that the majority of vacancies are inaccessible to the most needy, point 1, Mrs Marland. Remember that; perhaps you might come back with something else. I'd like to hear it.

Point 2 is that the answer is not rental supplements or shelter allowances, because that's the worst thing you could do to the taxpayer in terms of where the dollars are spent. You're saying, "We're spending over \$2 billion now in shelter allowance; let's spend a little more." If that's what you're saying, Mrs Marland, you're doing your taxpayers in Peel a complete disservice.

I wanted to make the point to you that through this integrated approach to housing, providing non-profit and cooperative housing, we're doing the taxpayer a service through the construction industry and the spinoffs and also suitability programs for those who really need it, through, I should add, Mrs Marland, an integrated approach of income distribution. You fail to understand, when you make reference to Jack Layton—

Mrs Marland: Income distribution if you earn over \$75,000—

Mr Marchese: She's doing it again.

The Chair: Order, please. That's what you get when you mention Jack Layton. You should never have mentioned his name.

Mrs Marland: Earning over \$75,000 a year and living in a co-op housing building? Give me a break.

Ms Harrington: She's totally out of order.

The Chair: She's out of order. I'm going to add two minutes to Mr Marchese's time.

Mr Marchese: So the point is that that is the healthiest thing you could—

Mrs Marland: I'm talking to the—

Mr Marchese: But you were talking to me too. Don't you want to talk to me any more, Margaret?

Mrs Marland: He added two minutes. Don't talk to me.

Mr Marchese: All right. Mr Chair, I think Mrs Marland has gotten the gist of my point, so I will now defer to my colleague Ms Harrington. Thank you, Margaret.

The Chair: Ms Harrington, you have until 4:30.

Ms Harrington: I'd like to take some time this afternoon to look ahead to the program review this ministry is undertaking, possibly to have the deputy minister distribute that and relate it to the auditor's report, because there are some very new and different directions we are taking, some of them certainly in line with some of the recommendations the auditor has made. Some are very different, such as the native consultations we have been doing and specifically targeting allocations to the aboriginal community, 2,000 units; that allocations call or proposal call will be going out within the next few months, and a whole new design of a program is now being worked on after consultation with the aboriginal people of this province.

I'd like, if all the members have been able to get a copy of this, to ask the deputy to highlight some of what he thinks are the more substantial changes in direction that we are taking. I know my colleague Mr Winninger wanted to ask some questions about this, so I'll ask the deputy to refer to it.

Mr Burns: Suzanne Herbert is handing out the summary list of areas that we're looking at in the program review of expenditures, which is one question you touched on. The second question you touched on was the new program and some of the program design questions we're looking at and how they may depart from past practice.

I think I'll start with the second one. I touched earlier on the nature of the proposal call documents and our objective of providing clarity, certainty and a real indication of what we expect as good business practice in the proposal call. That's one key change in design.

We've also gone on to try and specially design a couple of components to the broad program in a different way. The government, as a matter of policy, has indicated that it wishes 2,000 units of this program to be delivered to aboriginal communities. In that case, within the broad rubric of the program, we are doing an intensive consultation with aboriginal community organizations, obviously focusing on the ones that have some housing activity now, but including the broad spectrum of aboriginal organizations, to

try to find a way to create a program delivery system that meets their needs, that's suitable to their institutions and can still operate within the framework of clarity and good business practice that we've established for the whole program.

Similar discussion is under way in relation to supportive housing. Many members of the committee will know that in past practice it's been tough, on a community basis, to tie together support service funding and housing funding when your object is to try and provide both services to one particular community of people. So we are in this area as well looking at what needs to be done to try and tie together our program delivery and the funding that's needed to support service activity from other organizations.

I think one of the interesting things we've tried to do with both those subprocesses and the main one is that we've tried to do the program design in a reasonably open way; that is, we've sat down with a lot of the players in the non-profit and cooperative world to look at issues of program design, what their reaction is to some of our notions about clarity, certainty, timetables. We've sat down with the professions, sat down with the architects, sat down with the cooperative and non-profit providers; we've sat down with a group of people who are private builders but who do a lot of building in this particular sector and sought their perspective on our program design all the way through the process.

So even for the main program design, not just for the subcomponents that focus on special, particular, identified policy objectives, we've tried to do our program design in an open and consultative way.

1620

Ms Harrington: What would you say are some of the main features of this change in direction that you've put before us?

Mr Burns: I've touched on the ones that have to do with clarity and business practice and with explicitly building in the policy objectives. What I haven't done is to touch on those elements that are explicitly drawn from Consultation Counts, the broad consultation on the nature of the program and its reflection in the new program design. If you'll give me about 20 seconds, to be sure I don't misspeak myself.

Four broad objectives for this program lead to different design elements and will lead, eventually, to different operational elements. One is the notion that program design and delivery is, in some respects, a partnership, and that's what's led to the more open design process that I just touched on before. Secondly, we are requiring, in the new program, a higher level of resident involvement in every aspect of the operation of community non-profits. Third, we are requiring—and I touched on this before but perhaps it's brought together better in this list—people to adhere to common access practices on a community basis.

Ms Harrington: Good.

Mr Burns: Fourth, we've specifically organized ourselves to design the program to respond to communities where there are service needs as well as housing needs, and we just touched on some of those.

Ms Harrington: When you say "service needs," does that mean you're going to be working with other ministries directly?

Mr Burns: At this level at Queen's Park, in terms of broad program design, yes, but we're also going to be more active at the community level, drawing together the housing providers and the service agencies and trying to reduce the disjointed quality of funding arrangements that now exist in a lot of these service areas.

I can now go on and talk about the more specific components, if you are interested in going beyond the broader thematic issues.

Ms Harrington: Yes.

Mr Burns: Obviously, the new program responds to the broad commentary that was heard when the consultation process went on, that those involved in the production and management of non-profit housing wanted some time horizon that they could work with. The kind of stop-start, small program and awkward deadline processes of the past were difficult to work with, created inefficiencies and were difficult to plan with. So this program is intended to have a defined, understood, rollout timetable that people could relate to and organize their own work around.

Second, in addition to establishing that resident participation is a required element of the program, we obviously have to go beyond that and talk about best practice, how you do this and provide training information and support to that kind of activity throughout the sector.

Third, we have to look at the things we need to do to make sure that the public sector is strong in the long term. As we've all been commenting here today, it's grown quickly in the last few years: a lot of new organizations, new boards, new staff. There has to be a significant effort mounted to provide training and education opportunities to boards, staff and residents as individuals and organizations to provide a strong base for the sector in the long term.

Fourth, we should try to do our program delivery and spending in the context of some understanding of housing issues on a community basis. That connects to the discussion we were having before about replacing the fair-share model with a perspective and model that's more rooted in local conditions.

Fifth, funding support for the non-profit and non-profit cooperative sectors is a fundamental building block of the housing supply strategy.

Sixth, we should look at overhauling our relationship with operating non-profits and cooperatives so that we replace what is, in many cases, a system of incredible attention to blades of grass and not enough attention to lawns with a system that focuses on the right issues so that norms and standards become a key element, not penny-by-penny reviews; that operating agreements provide incentives for good management practices and efficient operation; and that we accept that there is a partnership dimension to the design, operation and delivery of the programs.

The program also will emphasize innovation in financing and planning and provide an incentive to people to find experimental and innovative ways to tackle those problems in a cost-effective manner.

Next, this obviously takes place in the context of municipal work, municipal plans. You alluded to this earlier. It is one of the specific elements of the objectives of the new program that it take full account of local planning and development strategies.

Finally, it should touch on, as an objective, the connection of the program to the environmental objectives and social justice objectives of the government.

Ms Harrington: What do you mean by "social justice objectives"?

Mr Burns: It comes back again to the points you raised at the beginning, that particular parts of the program are targeted, for example, to aboriginal communities and another part to individuals and communities with special needs.

Those are broad themes and some specific policy objectives. We have, as a result, some operational requirements in the ministry that we will have to achieve as well. They include a more open way of doing our business; to be consistent and clear on the accountability structures that apply in the program; to do a great deal more education; to be clear about what our principal interest and objectives are in both the development and operational phases; to tackle some of the questions of consistency that have been raised in Consultation Counts and in the audit and, again, in the non-profit review, using best practices throughout the province so we can derive them from local work—we talked a little bit about the Hamilton experience in tracking real market costs and using that kind of approach—to create a more formal and open cycle of feedback and evaluation of our practices and activities; to expand and make much more effective the dialogue the ministry has at the level of communities with municipalities and various players in the housing and real estate industries; and, I guess in parallel to that, and touching again on something we mentioned before in relation to individuals and communities with special needs and the aboriginal community, to redefine and rework some of our program practices so we work more effectively with other ministries here at Queen's Park.

1630

Ms Harrington: Mr Winninger has a question for you.

Mr Winninger: Is there time, Mr Chair?

The Chair: Only if it's very brief.

Mr Winninger: On page 6 of your Consultation Counts discussion paper, one of the policy objectives set out there was to "develop programs that promote a high degree of independent decision-making by not-for-profit housing providers" in the communities and, at the same time, "within a framework of accountability and good management of public funds." Now, I expect that there might be some tension between maintaining, at the provincial level, accountability and good management of public funds and allowing a certain degree of autonomy at the local level for independent decision-making.

I wonder if you could comment perhaps on a hypothetical example where a not-for-profit group is very desirous of obtaining a certain parcel of land and the developer says, "Well, if it's going to take a year to get commitment, I want an interest charge to carry this property for a year until you get commitment for a not-for-profit complex or

I'll just go ahead and develop it privately," and the not-for-profit housing provider says, "Well, that sounds reasonable to us; we really want this parcel of land and we really want to get on with our project."

At the provincial level, I suppose, that kind of arrangement between the housing provider and the developer may not seem to be within the—

The Chair: Order, please. I'm sorry; the time has expired. You had a chance for a question.

Mr Winner: I'll continue it later.

The Chair: Yes, I think you should continue it later. Mr Cordiano, 10 minutes.

Mr Cordiano: Actually, Ms Poole has a statement to make.

Ms Poole: I just wanted to say I have a number of questions on the document you handed out, the Non-Profit Housing Program Expenditure Review, but I think in view of the fact that we're now going to 10-minute intervals, Mr Cordiano may as well ask his questions and I'll address this tomorrow, if that's acceptable.

Mr Burns: Fine.

Mr Cordiano: There are several concerns that I have with respect to the document Consultation Counts, and it obviously will deal with the new day, shall we say, and what's to happen in the future. One of them deals with the new approach that is being called for in this document with respect to allocations. I'll just read from the document to express my concern with the direction that's stated here.

"The Ministry of Housing's current fair-share allocation model is largely a top-down approach which allocates the units across 16 planning regions by client group.... However, an allocation process that is too centralized lacks flexibility and sensitivity to local market conditions," and so on.

It goes on: "As a result, the Ministry of Housing will be working with the housing advisory committee to design an allocation and project selection process for Jobs Ontario Homes which will be based more on community need and demand information, adding a bottom-up project selection component."

That's all fine and good, but when the auditor put forward his concerns with respect to selection and approval of housing proposals, the ministry response at that time had this to say: "The government has decided to adopt the strategy of providing a buffer against another affordable rental housing shortage like that experienced in the mid-1980s by continuing to create more affordable rental housing units."

Those two statements are irreconcilable, as far as I'm concerned, or at least contradictory. If it's a bottom-up approach that is going to be used, how do you justify that in fact you're going to build a buffer, not knowing what demands will be in localized markets? Or in fact do you know what demands are going to be in those local markets and you're going to be able to create that buffer? I see the two things as totally incompatible. If it's a bottom-up approach that you're going to undertake, how does that square with the need to build a buffer, which is still a centralized process?

I have another concern before you get into an answer, if you don't mind, because I won't get it on the record, and if I don't get a response today perhaps we can deal with it tomorrow. Following on that, further on in this document, on page 29, the ministry, under the housing framework and principles set out in the housing framework, is moving towards an annual transfer payment mechanism—it is what's stated here—rather than a budgetary review process. It goes on to say, "In addition, incentives should be built in to encourage cost-efficiency and to minimize the subsidy required from the ministry."

I have a great deal of concern with that direction. If we're going to move to an annual transfer payment mechanism, I think we're asking for big trouble on the horizon. We already have a number of transfer payment recipients, a number of transfer payment agencies, that deal with the government and the auditor has a great deal of difficulty doing audits that are value for money, because he doesn't have the authority to go into transfer payment recipients' books to do that kind of auditing, and we simply can't get to the bottom of their expenditures.

In addition to that, there's less control, if you're moving in that direction to that kind of system, than there is in reviewing budgets in advance. So I have a great deal of concern with the direction the ministry intends to move in, in this regard. I think it means less accountability and less control over how much is spent, and we already have a problem with spiralling costs. I think this can only lead to more spiralling costs and out-of-control budgeting processes. I don't know if there's enough time for an answer, Mr Chair.

The Chair: There's time for an answer.

Mr Burns: On the first question, I don't believe there is an inconsistency in devising a program planning framework based on using some broad needs indicators provincially and also on community market assessments. The reference or allusion to a buffer as a metaphor in the letter simply indicates that when you look at local conditions beyond what comes out of a CNITs formula, you have to look at, for example, underlying growth rates. We have some communities that haven't grown in 20 years. We have others that continue to experience demographic growth where the question of housing supply generally has to be addressed. That's what's meant in the letter, that there are communities where housing supply generally needs addressing.

There won't be a perfect match. If your observation is that there is not a perfect match between a totally needs-based system and a community-market-based system, that's correct; there'll have to be some reconciliation of those things. But I think that's a far more effective way of tackling planning of allocation of resources than the CNITs model has been historically.

On the question of budget relationships, let me just say a couple of things about the current system, and this system has been in place, frankly, for 50 years and applies to public housing as well as to non-profit and co-op housing. When a budget is settled, if it's underspent, if you're efficient in your operation and you spend \$200,000 less

than the agreed budget at the beginning, then the ministry takes all of it back. It doesn't matter whether you're the West Kenora local housing authority or the Nepean municipal non-profit. Not surprisingly, this evokes a particular kind of behaviour in people managing budgets at the local level: They spend to budget.

In the public sector, spending to budget has been a kind of norm. The consequences—

Mr Cordiano: That's because budgets are set too high, obviously.

1640

Mr Burns: I'm not going to comment on that particular proposition, but let me just say that when the allusion to incentives was there, I'm quite interested, the ministry's quite interested, in looking at whether we can create an incentive-based budget process to replace the one we've got. We may in fact be interested in trying it in public housing as well as in non-profits and cooperatives.

If the Columbus Centre is efficient, in the year it is efficient it can retain that, and then we roll over and talk about what may happen in the year after. We get away from incremental budgeting based just on some historical-based budget that may have been set years before. That's what's meant by saying we want to look at incentive structures. I think they are an important part of trying to capture the attention and commitment of local boards and managers to cost-effectiveness.

Mr Cordiano: I have no difficulty or quarrel with an incentive-based budgeting system. In fact, I would support that wholeheartedly. The only concern I have is that the document says there "should be" built-in incentives. It should read, "There will be incentives built in," rather than "should be," because you haven't decided that yet, obviously.

Mr Burns: We're working on it now. I'm personally confident we can create such a system, but it is not without its problems. On the question of transfer payments—

The Chair: I think we're going to have to move on. I'm sorry about that and I apologize. Mr Tilson.

Mr Tilson: I'm referring also to the booklet, Consultation Counts, and what appears to be the new adventure the government is proceeding in, that is, Jobs Ontario, which seems to apply to everything these days. On page 23, the government talks about:

"Jobs Ontario Homes is a three-year, 20,000-unit, non-profit and cooperative housing program. These 20,000 homes represent a total investment of about \$2.1 billion in the construction industry that will generate an estimated 33,600 jobs."

Then it goes on for another paragraph, which is great socialist stuff and that's fine and dandy. The difficulty we have is the policy of saying, "We're going to construct 20,000 units no matter what." That's the policy. I think it was Ms Gigantes who stood up and it was in the budget and I think Mr Cooke has stood up and said, "We're going to build so many units and that's that, and we're going to fulfil those units."

The question I have to you is, why wouldn't one go the other way, look at specific communities and say, This is

what these communities need"? You may not need 20,000 units. It's great to say, "We're going to build buildings to create jobs." That's wonderful political stuff, but the question is, looking at specific areas, the effect it's going to have on the existing buildings, the effect it's going to have on the existing structure, the effect it's going to have on the government, the government's going broke now trying to figure out how to finance all its policies.

Why wouldn't you recommend to the government that perhaps you should go the other way, that extensive work should be put aside and you should say, "Do we need these housing units in these particular areas?" as opposed to saying, "Thou shalt fulfil and build 20,000 units no matter what"?

Mr Burns: Half of your question had to do with broad choices of public policy and I think the minister is the most appropriate person to address those.

Mr Tilson: She won't come to see us. That's the problem. You're the only one I have, Mr Deputy Minister, because the minister won't come here. I'm not asking you to defend the policy, because you do have the ability, as the deputy minister, to say, "It would be more economical not to say that we're going to fulfil these 20,000 units"—or whatever units you're going to have—"but we're going to do analyses in particular areas." Otherwise, it's going to be who gets there first with the application.

Mr Burns: That is the part of your commentary and question I think I really should respond to, because it builds on some of the discussion we've had earlier today about how we will be doing our planning for program delivery and reflecting local conditions. I think I said yesterday that there are some communities where we won't be accepting applications. There are communities where we didn't accept applications. There are communities where we didn't accept applications in December.

Mr Tilson: The booklet does get into talk about allocations. I understand that, that you may reject certain applications. But rather than saying, "We're going to build 20,000 units," we're going to say, "This is the need." There may be a need for 100,000 units.

Mr Burns: Just on a needs-based model, the CNITs methodology that's been used nationally for 15 years actually concludes that from the needs-based perspective of program design, the needs have been rising in Ontario for the last two or three years. That said, we've also said a number of times here, and I'll just repeat it, a CNITs type of needs-based model is not all that you should really have to do a really good program design and delivery, in our view, so we are supplementing it with community-based assessments, as I touched on before. Some of that methodology is contained in the material that we handed out just after lunch.

Mr Tilson: Where's all this CNITs stuff? Where is this? Where can I find that? I don't know anything about CNITs. Where do I find that? This word has cropped up today. I love new words.

Mr Burns: It's core need income thresholds. It's a measure of housing need that's used nationally. It's

CMHC's methodology for establishing a universal housing need in a particular province. It looks at a bunch of factors.

Mrs Marland: Is that an acronym you're using? What's it for?

Mr Burns: Yes.

Mrs Marland: What is it?

Mr Burns: Core need income thresholds, which in the business is called, rather unfortunately, CNITs. The CNITs methodology suggests the number of households we have an unmet need of in Ontario.

Mr Kormos: How many?

Mr Burns: There are 280,000 households.

Mr Kormos: Is that the need?

Mrs Marland: No. The core need according to the figures you gave out today is 264,250.

Mr Burns: Then you have it. I was rounding. That's using the federal methodology. That's one ingredient in trying to assess how to design some program delivery.

Mrs Marland: Do you use something that the feds use?

Mr Burns: That's it.

Mr Tilson: We don't have a Chair. I'll just proceed. Mr Burns, I have a question on the subject of a question that was raised by Mr Cordiano this morning, and that had to do with the subject of guarantees. In other words, you go to get a mortgage or a non-profit housing corporation goes and gets a mortgage, and through the various agreements, the government guarantees that. Mr Cordiano asked how much those guarantees mean to the Ministry of Housing? You did not answer that question. I'd like that, because that is a liability to the province of Ontario for several reasons.

One, as you know, these mortgages will expire and it will be necessary to refinance and it may well be, for example, that the value of the buildings has slipped down below the value of the mortgages, in which case the corporation is in a lot of trouble, or worse yet, as you've indicated, examples where corporations go down the tubes. Who's going to cover all this stuff?

Mr Cordiano's question is a legitimate question; it's a good question. I think we're entitled to know exactly the amount of money that the province of Ontario is into as far as honouring potential guarantees is concerned.

Mr Burns: All our forecasts suggest that it is very little. We've had very little experience of default.

Mr Tilson: I don't want to know your forecast.

The Chair: Will you please answer the question, Mr Burns, because we're running out of time. I'm trying to get your answer in.

Mr Burns: I was answering the question. I'll try this another way. We've had little past real experience of default or of financial collapse in the social housing sector. The mortgages on the social housing sector at the moment are secured by the real estate they are attached to.

Mr Tilson: Let me rephrase the question. Can you tell me the amount of mortgages that are out there in the system?

Mr Burns: Yes. In round numbers about \$7 billion in residential mortgages sit on social housing, on the non-profit co-op housing sector in Ontario.

Mrs Marland: About \$7 billion?

Mr Burns: About \$7 billion, of which a little over \$3 billion is Homes Now.

1650

The Chair: Okay, the government members have 10 minutes. I have numerous requests from members. Mr Duignan, then Mr Hayes and then, if we have time, Mr Winninger.

Mr Duignan: My colleague Mr Winninger had started a question, so I'll allow him to finish it and maybe then he'll pass it back.

Mr Winninger: In turn, I'll allow my colleague time to ask his question.

Mr Burns, now that you've had a chance to think about and ponder the first part of my question, I suppose what I'm asking you is this: The initiatives that are being taken to devolve decision-making power to the housing providers in the community seem to me to be a very favourable step to take. I guess what I'm asking you is, at the same time that you devolve decision-making power to the community, how are you able to retain the kind of control and accountability that the taxpayers of Ontario will demand from the Housing ministry?

Mr Burns: On both sides of the equation—that's on the development side and on the operating side—the objective is to be crystal clear about expectations, about norms, about standards. I've talked a little bit about how we've reflected that in the proposal call. I've talked a little bit about the establishment of norms and standards on the operating side that are rooted in real world experience and have some acceptance by people who operate in the sector. I've talked about what I believe to be the value of moving towards a more incentive-based budgeting system, which by definition implies that people have some ability to manage among budget lines, which right now we make quite difficult by the way we regulate budgets.

On the development side, though—and we've talked about this quite a lot in the last two days—there are several different ways to move from a chunk of land to an occupied building in business practice terms: the hypothetical situation you've talked about before, which is really a negotiation about a form of an option. There are a dozen ways to skin a real estate option. Our requirement is that the land price produced by that transaction be consistent with the program. That's really what we're after. We're after the maximum amount of clarity about what those things mean, so that people have some certainty about the environment they're operating in.

Mr Duignan: I just want to spend a little time talking about—I think we may have touched on it on the last couple of days—the subsidies paid. Let's concentrate, for example, on the co-op sector. There are two subsidies paid, the RGI subsidy and the bridge subsidy. Maybe you could explain a little how that works and the fact that I think it's roughly year two that bridge subsidies withdraw at the rate

of about 5% a year to a certain point, and at that certain point the co-op begins to repay some of that bridge subsidy back to the province. I wonder if maybe you could walk us through that scenario.

Mr Burns: I'll try to use a very simple model to explain the subsidy flow. In a hypothetical project there's a capital cost required to create that building. In the market conditions we've experienced for more than the last decade, market rents won't retire the full capital cost of the new rental building in most markets in Ontario—not all, but most. Part of the subsidy flow, then, is to cover the difference between market rents and, to use the term, economic rents. That's the rent required to retire the full capital cost.

That is often called the bridge subsidy. The reason it's called the bridge subsidy is because over time, if there is some inflation in the economy, which in most of our experience has been the general case, and as we move towards retirement of the first mortgage, then that part of the subsidy will reduce and eventually disappear. That's the subsidy from the market rent up to the economic rent.

Then there's a subsidy from the market rent down, which is provided to people who are paying a rent based on their income: rent geared to income. There are those two components to our subsidy flow, one which will change over time in response to change in market conditions and real costs, one of which is attached to a rent-geared-to-income subsidy system.

Perhaps there's one last comment on that. In important respects, that's a direct substitution for the shelter benefit that's provided by Comsoc, as we were alluding to before. If we eliminated the financial support for OHC and non-profit and cooperative housing in the province, which is about \$900 million this year, something like \$350 million or \$380 million of it would immediately reappear in the Comsoc budget as a necessary shelter benefit. So a large portion of our subsidy flow is, in effect, a direct substitution for their program expenditures.

Mr Duignan: The second part of my question is that it reaches a point where you have the crossover effect. Is it correct then that the co-op and non-profit end has to begin to repay a portion of that bridge subsidy? That starts somewhere between 11 and 15, depending on location and size.

Mr Burns: Yes, there are program arrangements that are like that. The reason I didn't go on too much is that the

truth is there have been eight different ways of delivering this program. There are eight different approaches to this particular issue. Yes, there are a significant number of the ones we were looking at in this audit to which that arrangement applies. That is repayment of that subsidy flow later on in the project's life.

Mr Duignan: I'd like to pursue this question maybe tomorrow but I want to ask, on that particular point, do you have an estimation of the amount that will be paid back to the ministry on those programs that have that component in them?

Mr Burns: I don't. No.

Mr Duignan: Have you done a forecast?

Mr Burns: The problem is that we're talking about forecasting some years out, 5, 8, 10, and our forecasting is fundamentally built around three- and five-year forecasts, which are the typical budgeting cycles. The backing out or bridge subsidy is essentially after that forecasting horizon. We certainly have the fundamentals, if one wanted to do such a forecast. We haven't done one.

Mr Duignan: There's a difference, then, between various programs. For example, in the ILM program you just pay a direct RGI subsidy. There's actually no bridge subsidy paid to that at all. That comes from the federal government and that's again different than the 56(1) program, which was a federal program, and they just had a 2% buydown in the mortgage.

Mr Burns: And that's different again from 15(1) and that's different again from the provincial unilaterals, so there are a number of different formats.

Mr Duignan: Which one have you been on?

Mr Marchese: Mr Chair, one last question.

The Chair: I think so, Mr Marchese.

Mr Marchese: Mr Burns, on a lighter note, are you having fun?

Mr Burns: Absolutely.

Ms Poole: You're a sick man.

Ms Harrington: I have another question.

The Chair: The standing committee on public accounts is recessed until tomorrow morning.

The committee adjourned at 1658.

CONTENTS

Wednesday 10 March 1993

Annual report, Provincial Auditor, 1992	P-507
Ministry of Housing	P-507
Daniel Burns, deputy minister	

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- ***Chair / Président:** Mancini, Remo (Essex South/-Sud L)
- ***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
 - Cousens, W. Donald (Markham PC)
- *Duignan, Noel (Halton North/-Nord ND)
 - Frankford, Robert (Scarborough East/-Est ND)
 - Haeck, Christel (St Catharines-Brock ND)
- *Hayes, Pat (Essex-Kent ND)
 - Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
 - O'Connor, Larry (Durham-York ND)
 - Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

*In attendance / présents

Substitutions present / Membres remplaçants présents:

Daigeler, Hans (Nepean L) for Mr Callahan
Harrington, Margaret H. (Niagara Falls ND) for Ms Haeck
Kormos, Peter (Welland-Thorold ND) for Mr Frankford
Marchese, Rosario (Fort York ND) for Mr Johnson
Marland, Margaret (Mississauga South/-Sud PC) for Mr Cousens
Poole, Dianne (Eglinton L) for Mr Sorbara
Winninger, David (London South/-Sud ND) for Mr O'Connor

Also taking part / Autres participants et participantes:

Peall, Gary, director, ministry and agency audit branches, Office of the Provincial Auditor
Peters, Erik, Provincial Auditor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: Richmond, Jerry, research officer, Legislative Research Service



Ontario

P-29

P-29

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Thursday 11 March 1993

Standing committee on public accounts

Annual report,
Provincial Auditor, 1992:
Ministry of Housing

Assemblée législative de l'Ontario

Deuxième intersession, 35^e législature

Journal des débats (Hansard)

Jeudi 11 mars 1993

Comité permanent des comptes publics

Rapport annuel de 1992
du vérificateur provincial :
ministère du Logement



Chair: Remo Mancini
Clerk: Tannis Manikel

Président : Remo Mancini
Greffière : Tannis Manikel



Table of Contents

Table of Contents for proceedings reported in this issue appears on the outside back cover, together with a list of committee members and others taking part.

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Table des matières

La table des matières des séances rapportées dans ce numéro se trouve sur la couverture à l'arrière de ce fascicule, ainsi qu'une liste des membres du comité et d'autres personnes ayant participé.

Renseignements sur l'index

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 11 March 1993

The committee met at 1014 in room 151.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1992

MINISTRY OF HOUSING

The Chair (Mr Remo Mancini): The standing committee on public accounts is called to order. The committee is in its third day of public hearings regarding the 1992 annual report of the Provincial Auditor as it relates to non-profit housing, section 3.12 of the auditor's report.

I want to say good morning to all of the members.

Mr David Tilson (Dufferin-Peel): Good morning, Mr Chairman.

The Chair: Thank you, Mr Tilson.

Mrs Margaret Marland (Mississauga South): Mr Chair, I'm wondering, since we're starting the meeting at 10:18—

The Chair: It's 10:15.

Mrs Marland: —at 10:15, if we could have a consensus to sit to 12:15 so at least we get our two hours with the deputy minister here this morning.

The Chair: I was here, ready, just before 10.

Mr Tilson: You were indeed.

Mrs Marland: You were indeed, and we would be happy to take the chair at 12 noon. I'm just asking for the extra 15 minutes so we can have full rotations.

The Chair: Do we have consensus to sit until 12:15?

Mr Noel Duignan (Halton North): No.

The Chair: I don't see consensus.

Mr Tilson: They don't want to hear any more, if they don't show up until 20 after.

Mrs Marland: It's really interesting. We had Mr Winninger here at 10 o'clock; we've had nobody else here. So I think you should be amenable.

Mr Rosario Marchese (Fort York): Excuse me, I was here.

Interjections.

The Chair: Okay. I thank the members for their advice on the morning scheduling. I think we should get right into questions and answers. Let's see, how much time do we have here?

Mr Marchese: Do we have 40 minutes each?

The Chair: I'm sorry, what was that, Mr Marchese?

Mr Marchese: Do we have 40 minutes each in the first round? Is that the way it's going to work this morning?

The Chair: You have 20 minutes.

Mr Marchese: We have 20?

The Chair: Do you want more?

Mr Marchese: No. She was suggesting we extend it 15 minutes. But if we all reduce the time so that we all have equal time, that's the point, right?

Mrs Marland: The point is that we were to have two hours this morning.

The Chair: We discussed that point, thank you. I appreciate the advice I received from Mrs Marland; it was well taken. You have 20 minutes, Mrs Poole.

Ms Dianne Poole (Eglinton): I'd like to start with your non-profit housing program expenditure review.

The Chair: Oh, I'm sorry. Prior to the opening of the session, the deputy minister told me that he had some information for the members. Mr Burns, do you want to tell us what you have and we'll get it distributed right away. My apologies.

Mr Daniel Burns: These are two items from yesterday's discussion. One is the extract from our Housing Field Operations Directive, dealing with conflict of interest. The second is a small chart that responds to a question asked by Ms Poole yesterday about what our actual subsidy levels are, looking at the program from different points of view.

The Chair: Thank you.

Mrs Marland: We could still proceed, Mr Chairman.

The Chair: Yes, please proceed.

Ms Poole: Since we now have the information from one question I asked last night after the end of the session, I'd like to review that.

My question, for members' information, related to one of the pie charts in the original set of graphs that the ministry had given us on Tuesday. There was one pie chart called "Typical Capital Cost of Non-Profit Housing, Sample Project for Families in Metro Toronto, 1991," and on that cost-per-unit pie chart, it said that the construction costs on this sample family non-profit housing project were \$94,381 for this unit, which was 65.6% of the capital cost for that unit, and the total cost for that unit was \$144,044.

A bit later on, there was a chart which had the average construction cost per square foot for the Toronto census area. When I looked at the January 1991 average construction cost per square foot, it was 61 cents per square foot—

Mr Burns: Dollars.

Ms Poole: Sorry, \$61—61 cents, that's a real bargain. I think we should build much more housing at that rate. Then I went over to the pie chart and did a little math. My math isn't always the best, but I thought I could cope with this.

When I looked at 65% of the construction cost, or 65% of the cost going into construction, I then figured out it would have to be a 1,500-square-foot unit to have cost \$144,000 with those particular figures. I thought I was missing something and then I asked the ministry to provide me

with an analysis of what I'm missing or what they're missing. Why do these facts not compute?

1020

Mr Burns: Essentially, because what we roll up as construction costs in our program tracking doesn't contain all the same components that the real estate board's construction cost index contains. We are presently working on a direct comparison of this building to the way they break down their construction cost index. If it comes this morning, we'll give it to you; if it doesn't, we will write you with all of that information.

Ms Poole: What types of construction costs would the non-profit sector have, or what differential than the private sector?

Mr Burns: We would include in ours anything that we did to prepare the site, including dealing with contamination, and theirs doesn't, for example. This is an example of a cost item that is in one calculation and not in the other.

Ms Poole: Could you give us a few other examples of the types of things that would incur a cost for a non-profit project that would not be taken into account for the private sector?

Mr Burns: They're all taken into account; it's just whether this construction cost envelope contains the same cost elements as the other.

Ms Poole: I'll rephrase that: whether they're taken into account when you're trying to compare the average price of \$61 per square foot and why—my calculations, if this was an 800-square-foot, two-bedroom apartment—maybe this particular project had larger units, but based on what the ministry was saying earlier about the average size of a two-bedroom apartment being 800 square feet, when I factored that in, I got \$117 per square foot, which is a significant difference.

I know soil contamination is a real problem and a very expensive one that we've had to deal with, but would there be other factors that would drive your construction costs up significantly more than the private sector's?

Mr Burns: When I say "site development," that includes demolition and the servicing, beyond remediation, that's required on the sites. It's in our number; it's not in the Toronto Real Estate Board number. The two numbers treat financing costs differently. But as I said, we're charting the specific costs elements of the TREB method in ours, and we'll provide you with the whole breakdown as soon as I've got it.

Ms Poole: Okay. Perhaps we'll leave that one for the moment, then, and go back to the non-profit housing program expenditure review. The recommendations in this particular review will be in place for the proposal calls going out later this month for the 20,000 units?

Mr Burns: The program review was undertaken in the fall of 1991. When you do a program review, you look at all your cost elements and then you look at those areas where you think you can make some progress. What we're in the middle of is a three-year effort to tackle all the cost elements in the program. That doesn't just include the new

program; it includes going back and looking at costs in the existing program and tackling them while we can.

In earlier parts of this discussion, we touched on a few of the important elements of that: utility costs, refinancing, the establishment of norms on the operating side, not just on the capital side. That work has been trying to move to an incentive-based operating budget, for example, as opposed to just an envelope, and there is a three-year work plan that we're in the second year of that relates to the objectives of the program review.

Ms Poole: I want to ask you about a few of the items in here. For instance, on the second page at the bottom, A.6 said "Review funding of replacement reserves," and then (a) was "Two-year moratorium on the funding of replacement reserves."

Could you please explain whether there were difficulties that were identified by the ministry with reference to replacement reserves? Were they too high? Were the non-profit projects not utilizing them properly? What would be the reason for, first of all, putting that in as part of the review and, secondly, calling for a moratorium? Did you have any belief that this program was not working adequately which caused you to put that in?

Mr Burns: We touched on this in yesterday's discussion. There are a number of things about the replacement review that we believe needed intense scrutiny and re-evaluation. One is the basic historical notion that an appropriate annual replacement reserve funding is 0.65% of the capital cost, irrespective of the form of building, where it is, whether it's a purchase, rehabilitation or a new construction. We used again a blunt instrument, one guideline for the whole system. We wanted to go back and look at whether that should be differentiated and whether the absolute level made any sense.

Two, there are some very interesting possibilities that arise when you look at the way the current funds are administered. At the moment, we don't allow any non-profit cooperatives that are operating more than one budget to pool their replacement reserves, so an organization like Peel Non-Profit Housing Corp has 40 of them, accounted for separately, dealt with separately. A lot of people have been arguing for a while that pooling would make more sense for an organization with a portfolio of several budgets, so pooling is a thing we're looking at in terms of policy review.

Ms Poole: Just a point of clarification: When you're talking about pooling, are you talking about having a pool for a group of buildings or all buildings?

Mr Burns: We're talking about two kinds of potential pooling. One is to look at, for those non-profit sponsors that have many different buildings and many different budgets and operating arrangements with us, whether it's more efficient in management terms and in expenditure planning to pool it. The second is to look at whether individual non-profits and cooperatives could join a pooling scheme. For example, the non-profit cooperatives by and large are independent, separate organizations, but perhaps all of them as a group, or many of them, might be interested in a pooling scheme that would allow them to manage the replacement funds on a broader basis than individual projects. That might

be more efficient. It might allow us to effectively protect buildings in the longer term with a lower level of annual support. That's the second thing we've been looking at.

The third issue we've been looking at are the administrative rules that surround the management of those funds. At the moment we require people who hold replacement reserves to manage them in an extremely conservative way, which means they're held in the lowest interest-bearing accounts that are really available in the marketplace. So another option, particularly if you have some pooling, is to look at whether we would permit different forms of investment. With pooling, for example, you might be able to invest some of it in the longer term, achieving higher rates of interest. It may be possible, in fact, to have professional fund management, if the pools were large enough, and achieve higher rates of interest again. Inasmuch as the replacement reserve funds themselves can grow internally through more remunerative investment practices, it may reduce the need for annual contributions.

So are there reasons to review replacement reserves, the level of them, the way they're managed? Could that be more cost-effective for everyone involved? Absolutely, and those are all the reasons, and we are doing those things now.

The moratorium, however, was put in place because it allowed for a significant reduction in our operating subsidies immediately, while for some of the other things we were looking at which would take more time to grapple with, like utility costs, we could sort through and make those cost reductions effective.

1030

As I said yesterday, while we declined to contribute to our replacement reserves comprehensively, we did retain in the program funding envelope some flexibility on our end to ensure that if anybody got caught out in the actual two-year period, they could have some access to funding at our end. We didn't simply create a situation where there was absolutely no recourse or alternative if people had a legitimate local need. We took the view that this was a reasonable short-term measure, partly because a great deal of the stock is pretty new in these programs, as we know from looking at the charts of growth. So it's part of the first two years of the program, as we come to grips with other cost elements.

Ms Poole: It appears I don't have a lot of time left for this round of questioning. There was one thing I did want to ask you about: the ministry's database. There has been some criticism over the last few days, and indeed implied in the auditor's report, about the ministry's capacity to give the information that the auditor deemed necessary to really find out what was happening.

We accept your explanation that some of it is just extremely difficult because it's difficult to make direct comparisons between the private and non-profit sectors. But it seems to me that there is a great deficiency in, perhaps, the sophistication of the computer system and your ability to collect data.

The question I have for you relates to CMHC, which I think is the acknowledged leader in Canada for collecting

data, for giving statistical analysis. They've certainly been seen as a most reliable indicator of what's happening not only in non-profit and subsidized housing, but generally in housing I think their statistical analysis is seen as very superior.

With the backing out of the federal government in housing and the offloading of housing responsibilities from the federal government to the provincial government, I would assume that CMHC has this huge, sophisticated bank of computer centres that could churn out magnificent information which you would love to get your hands on. Have you approached CMHC to see whether the province of Ontario can utilize some of those resources, whether you can perhaps transfer some of your database to theirs? It seems to me that there may be a resource there that is going to waste at the moment, which the province of Ontario and the Ministry of Housing sorely need.

Mr Burns: There are two points to your question that I want to touch on. We do have an intimate and ongoing relationship with CMHC. There are several national working committees; there's also one just with us, because Ontario is a region in the national scheme of things. So we have a particular ongoing relationship here on a whole series of operational questions. There's also a national research committee which we participate on which discusses data needed to look at policy issues. I just want to make a couple of distinctions.

Our ability to derive data from our project base information system for policy work is limited. That is the problem. Some of the discussions today, of course, bear on those kinds of questions. However, on the other side, we do collect, in the course of delivering the program, a tremendous amount of data on the project level that's contained in the regional office that has the business relationship with a particular sponsor. Those data are there and can be looked at at any particular point in time in relation to an individual one.

The amount that is pulled out and reported back on the general system so far is there to monitor our expenditures and to monitor the mileposts in program delivery, so there for program delivery or administrative purposes. That's different in turn from the kind of database an auditor would want to look at particular issues. There's been a bit of discussion about actuals. When we say "actuals" in our world, we mean the final audited costs of a development project. There are interim costs in our files and there are forecasts, but the actuals don't get put in place until the very end. So it's not that we don't have data in files as we deal with a project. They aren't actuals in that sense; that is, they're not the final data.

We do have in place, and really only in the last year, a technical system that ties together the pieces of our operation, but the application of new kinds of programming and connecting of data to our policy needs is ongoing now. There are weaknesses with it, as I said yesterday.

The Chair: I thank the deputy minister for his answer. Ms Poole, your time has expired. Mrs Marland, 20 minutes.

Mrs Marland: Yesterday, we had quite a lot of discussion around the subject of the consultants. I think some of

the questions that have been raised by my colleague Mr Tilson on the subject of consultants are very relevant, very important questions.

This morning you handed out a Housing Field Operations Directive dated November 24, 1992, and the subject is "Conflict of Interest Provisions." Is this the first directive from the Ministry of Housing on this subject of conflict-of-interest provisions or was there a previous directive from the ministry?

Mr Burns: I think I said yesterday, and I just confirmed it with Mr Schafft, that this is the first formal, written directive the ministry has issued on conflict-of-interest guidelines. What we did in the past was to operate on the basis of a practice which was understood and discussed but was not codified in the form of a directive.

Mrs Marland: How long has the Ministry of Housing been in the non-profit housing program?

Mr Burns: The ministry's had comprehensive responsibility for program delivery in the province since 1986. I think I mentioned that the first day I ran over some of the history. Before then, it did participate with the federal government in some programs, but it was responsible for delivery, so since 1986.

Mrs Marland: So for seven years we've had this program in effect in this province, and for all of that seven years it's involved the use of consultants. Am I correct?

Mr Burns: Yes.

Mrs Marland: And it's taken six of those seven years before we've come up with a written conflict-of-interest provision directive from the ministry—kind of a scary thought, I would suggest.

I want to bring to your attention a situation that apparently existed in 1988. I'm going to read the notes on this particular matter. Apparently, in 1988, I think the latter part of 1988, this came to light. A firm existed called Classic Consultants. I don't know if this still exists, but apparently Classic Consultants found land for the Barrie Municipal Non-Profit Housing Corp.

"The president of Classic Consultants was a Donna Hamilton. Her husband, Rob Hamilton, was a principal of a numbered company which bought a piece of property in January 1987 and sold it to the non-profit housing corporation in September 1988 for \$890,000, which is more than twice what he had paid for it."

"Neither the city nor the non-profit housing corporation obtained an appraisal of the property. Instead, they took the advice of their adviser, Classic Consultants, on the land's value (remember, Hamilton's wife, Donna, is the president of Classic Consultants).

1040

"Donna Hamilton did declare a conflict of interest when the sale was recommended at a non-profit housing corporation meeting on June 8, 1988, albeit without giving a reason," and under the conflict-of-interest laws in this province I understand that when you declare a conflict you also have to declare the reason. So she did declare the conflict on June 8, 1988, without giving the reason. "However,"—and I think this is really interesting—"she did not declare a conflict at the August 3, 1988, meeting when the

housing corporation and Classic entered into a development contract for a fee of \$1,500 per unit on the property!"

Another little side piece of information regarding this Barrie municipal non-profit housing corp, which is just a further confirmation of some of the points Mr Tilson was making very well in his questions yesterday and the previous day, was that a year earlier to this matter that I've just raised, in August, 1987, Barrie's planning director, a person by the name of Rick Jones, left the city after 13 years to go to work for Classic Consultants as a planner. Rick Jones also sat on the board of the Barrie Non-Profit Housing Corp.

I don't know where you could get a more incestuous relationship as an example of the kind of thing we're trying to bring to the attention of this committee in terms of what it is these consultants do and who the consultants are and what it is they're capable of doing in this particular program of your ministry.

Were you the deputy in 1988? I don't think you were.

Mr Burns: No, I was not.

Mrs Marland: And I'm sure that you don't have the facts of this particular case in your Encyclopaedia Britannica mind, but how do you feel about—I'm not going to ask you how you feel, because you don't want to express your feelings.

Mr Tilson: You're not allowed to.

Mrs Marland: What is your reaction to this example, and I don't wish to have the answer, "Well, since November 1992, we now have a written directive." My concern is that obviously this is just an example that has been brought to my attention. I think what we need to know is, why is it that the ministry's been in this program for seven years, and this is an example which took place four years ago—I guess the bottom-line question is, why are consultants needed? If a church group or a sports group or a community group goes to the ministry that gives out funds under Wintario programs for community projects, it's not told that it has to hire a consultant, nor does it need to hire a consultant, because that ministry provides it with—I think the title is coordinator or counsellor or whatever for the project. In other words, the ministry staff help that local community group with its program and with its application.

Obviously, when this consulting aspect that's involved with these non-profit housing programs involves so many millions and millions of dollars in the program itself, to the cost of the taxpayer solely, I think we need to know why they need it. When you answer that question, I also would like to know why they are paid on a fee percentage of the project. If you're going to say they're needed, then I want to know why they're paid a percentage of the cost of the project, because most of these projects are within the same range of number of units and the amount of work would be the same.

Mr Burns: With respect to the case that you've raised, your speculation is accurate. I don't have it in my own memory nor in fact in any of the advisory material I have with me. So I'm going to have to take it that you've put the question to us and we will go back and review that material.

Mrs Marland: When you review it, will you give the committee a written answer about what was done about this particular case?

Mr Burns: Well, I don't know what the normal protocol is. I'm certainly prepared to write to whoever it is who's asking for the material, if it's yourself or the Chair of the committee.

The Chair: I think in view of Mrs Marland's request, you can direct the answer to myself, and the clerk and I will distribute the information to all members of the committee, including the auditor.

Mr Burns: That's fine. You have my undertaking to do precisely that.

Just a small comment on conflicts of interest. While there are particular standards for conflict-of-interest declarations in the municipal system, in the broader business context there isn't a law about what are or are not acceptable conflicts of interest. There's obviously practice and there are some court cases and things, but there's a difference in backdrop between that and the standard applied to the municipal situations.

Why do we have project managers in the system? Because a real estate project, the development of a building or the purchase and rehabilitation of a building, requires project management. I think I've said a couple of times in the course of this discussion that there are several ways to get, acquire, have, demonstrate that you've got the project management skills on your team. In the case of some organizations, and particularly the municipalities, they have it as a part of their permanent staffing arrangement. This funding line goes to support the professional development staff of Peel Non-Profit Housing Corp, for example, when it's doing its own development.

Second, some people use municipalities to get that project management capacity that you need to deliver the building.

Mrs Marland: But Dan, Peel Non-Profit doesn't use consultants. I'm asking you about the community groups who pay these enormous fees to consultants.

Mr Burns: Right, but you asked me the question, "Do you need project management?" essentially, "Do you need development consultants?" The answer is, you need project management. There are several different ways that's brought to the system: In some cases, people have relied on professionals who bring another service to the table, like engineers or architects; in some cases, they've relied on people whose specialty is project management in a real estate context; sometimes those are people who do most of the work in the private sector and some in this, and sometimes they rely on people who specialize in this particular kind of project management. Our requirement is that you have to have competent project management as part of your team or we won't accept that you have demonstrated the capacity to carry out a real estate project. That's the first part.

Mr Tilson: Mr Burns, you don't get around to talking about project managers until after the building's up or until the building is rolling.

Mr Burns: No, I mean people managing the development project.

Mr Tilson: All right, that's who the consultant is.

Mr Burns: In many cases, that is what is called in the parlance a development consultant, but not in all.

Mr Tilson: Whether you call it a consultant or a project manager, the question is, why do you need these people?

Mr Burns: Because to deliver a real estate construction project or a purchase acquisition project, you have to have in that work someone who ties all the pieces together and manages it through. Some people have that in their organization, some people hire it—there are several places to hire it—but you do need that capacity to deliver the project.

1050

Mr Tilson: Nothing can happen without the ministry's approval—nothing. It's in all the contracts; it's in all of the arrangements. There's no question that the consultant or project manager, whatever you call this person, is continually dealing with the ministry.

Mr Burns: Yes. That's one of the things they do.

Mr Tilson: You have to cross your t's and dot your i's. You simply can't move.

Mr Burns: Yes.

Mr Tilson: So if you have to do that anyway, the ministry people are continually reviewing everything that is being done during this project.

Mr Burns: We don't offer project development services as part of what we do. We're not in the development business. We're delivering a project.

Mr Tilson: I'm afraid that's what non-profit housing has become.

Mr Burns: Non-profit housing is a part of the development business. We are not.

Mr Tilson: It's a development business. I mean, these people are producing books saying what wonderful jobs they're creating. Non-profit housing is a development business, and the Ministry of Housing is in the development business.

Mrs Marland: You give them the money.

Mr Tilson: You give them the money. You give them the expertise. You don't allow them to move.

Mr Burns: We provide funding, that's absolutely right. Let me just go on to the fee question, which is the last part of your question.

Mr Tilson: I don't want to leave the issues of fees, because we still have to talk to the issue of the need of the consultant. Non-profit housing has got to an unbelievable expense, and I think you, ourselves, the auditor, everyone is trying to produce this thing. If we're going to continue on with this policy—which I must confess people in our party are reluctant to do, but we're going to be doing it for the next couple of years, it appears—are there ways of doing it in a better way, a more economical way?

Mr Burns: Yes.

Mr Tilson: The question that we're raising is, is there a need for the project manager, particularly when you have people from the Ministry of Housing who are overseeing these projects anyway? You can't complete these projects without the approval and without the authorization of representatives from the Ministry of Housing. That's the question.

Mr Burns: Our perspective is that you do need competent project management to deliver development projects.

On the question of fees, I think I said yesterday, and I'll just touch very briefly on this, the origin of the 2% guideline is in a federal-provincial piece of work from about 15 years ago, 1978 or 1979, which was based on an examination of the services provided in their program, and that guideline was followed for a long time.

What we have done in the last 18 months, though, is move away from a general guideline towards a concrete fee-for-service proposal and costing system. One of the results of that is that the amount of money in this budget line has been dropping and our current level of funding in this particular part of it is 1.4%, not 2%.

Mrs Marland: Why is it a percentage? Why don't you make it a fee for service based on a project?

Mr Burns: That's exactly what we're doing. But to give a sense of how much money that's costing us in relation to the whole, that's why I gave the 1.4%. We're not using a guideline now. We are using fee for service based on a work plan, costed. We are moving to real costs.

Mr Tilson: The best part of this for the consultant is: The bigger the project, the bigger the cost of the real estate, the more lawyers you hire, the more architects you hire, the more it's worth, because the consultant gets a percentage of all of those costs.

Mr Burns: We're not using a straight 2%-of-capital-cost system. We're using a real cost system based on a fee-for-service proposal, a work plan that's costed. That's what we are now doing.

Mr Tilson: When did that change, because that hasn't been the way it's been.

Mr Burns: That's right. That's not the way it was at the time of the audit. In the projects the auditor looked at, there was a much more general use of broad guidelines. In the fall of 1991 we were closing out Homes Now, P-3000, P-3600; in other words, the programs that were the subject of this audit earlier in that year essentially. We changed our practice in that fall to insist on real costs, work accomplished, and I think someone—I think Ms Poole or perhaps you did actually—alluded to the fact that we rolled back fee submissions in that period of time. It's the period of time you were looking at. Those were the beginning steps of this program.

As we went on into 1992 and began to look at project proposals under the P-10,000 program and on through federal-provincial in that year, we switched to real work plans, real fee-for-service proposals and those being costed not on a guideline related to capital costs.

Mrs Marland: They're not a percentage any more.

Mr Burns: That has resulted in a percentage number of 1.4, but that's not because we're using a percentage guideline. In fact we've shifted away from a guideline to real fee for service, real work plan, real costing.

The Chair: You'll have to follow up your questioning in the next 20-minute opportunity. Mr Marchese and then Mr Winninger.

Mr Marchese: Mr Burns, again to pursue the question Mrs Marland was raising earlier on, because the argument they make is, "You don't need the project person, the consultant to do the work. You're saying it's an additional costly layer. Why not allow the province to take care of that, given that you have to approve every single part of it anyway?" because they're saying, "Why not just eliminate that consultant who gets that 2%, 1.4%, whatever it is that the person gets? It's very costly," I can appreciate what they're saying.

But if you could explain again, because I think you said it, but it would be useful to repeat, the ministry doesn't necessarily, on a step-by-step way, say, "This is what you've got to do in order to bring the project to development or to fruition." What you're saying is, "We're not in the development business in the sense of the development of the project," which is what I believe you're saying.

If you could speak to that, there might be some clarity as to why it is that the non-profit group requires somebody to take it through its process, because the ministry doesn't have the additional staffing to help these groups in that way. Is that the issue or is there more?

Mr Burns: We don't have a direct development capacity and have not in this province since the Ontario Housing Corp wound up its direct development activities in 1974. The model that's been followed nationally and provincially, as I said in my opening remarks, has been one of supporting community housing organizations of various sorts—municipalities, non-profit cooperatives and community organizations—that want to provide housing locally.

We have provided programmatic support to their efforts. We have not provided direct development resources or direct property management resources. To be frank, I think you get a more efficient, cost-effective delivery of this kind of program if you depend on marketplace transactions than if you build up, as we had in the 1970s, a large central development capacity. It's inconsistent with the philosophical perspective that's imbedded in all of the non-profit programs, nationally and provincially, since 1973 that the object of the program delivery is to support community-based housing operations.

Mr Marchese: Does Peel Non-Profit get the same percentage of support? Does it get 2%?

Mr Burns: They, like everyone else, have been subjected to our change in practice, but for some time they would have got 2%. Certainly the city of Toronto did when I was there. We used it to fund our development staff, our project management at the development end. Peel and all the other municipal non-profits are eligible for that element of funding. We have now also with them said we want to be convinced that we're getting value for money in that

line, but they are all eligible to get some financial support in that line.

Mr Marchese: Are you aware of the municipality ever wanting to refuse it because it felt it didn't need it?

Mr Burns: I've never run into a municipality doing that.

Mr Marchese: Could you repeat that?

Mr Burns: I said I've never run into a municipal housing company doing that.

Mr Tilson: You don't get the allocation unless you've got a consultant.

1100

Mr Marchese: Okay. Can I move on to the issue of access, because that's a matter the auditor has raised concerning the ease with which needy people can access non-profit housing or any kind of housing. What has the ministry done or is doing to make it easier for people with disabilities, for the needy, those who are less resourceful, to have greater access to our housing?

Mr Burns: I think we touched on some of the principles in this area yesterday. Just to begin with those, to establish a small context, in the public consultation on the non-profit and cooperative programs that took place in 1991, one of the issues put out for discussion was the access arrangements as they existed at the time. We got quite a lot of submissions on that subject.

In Consultation Counts, which is the response to that public consultation process, access figures importantly. What's laid out in there is an objective of creating a situation where people can find it a lot easier to connect themselves to the doorways that would lead them to tenancy and non-profit or cooperative housing.

I think I touched on a couple of places where we've developed some pilots or approaches to this. One was Hamilton, which ties together a lot of the providers in Hamilton. Another was the seniors' housing registry which is in operation in Metropolitan Toronto. Beyond that, we have made it a mandatory requirement of participation in the new program that people adhere to a more coordinated access system than has existed in the past.

I think I'll go on from that and just touch on some of the specific notions that we're working on with providers that are intended to address the access question. Perhaps I should just parenthetically say that part of the problem that's emerged has to do with the rate of growth. If we look back 10 years ago, there were far fewer non-profits or non-profit cooperatives, and it was a good deal simpler to find your way to the doorways than it is today when we have a far larger number of providers.

Perhaps I should just finally say by way of introduction that the auditor's comments on weaknesses on the access side and difficulty are quite consistent with what we heard in the consultation and quite consistent with what we believe to be weaknesses of the system internally that need addressing. I think we said that in our response to the auditor's report last year.

On the question of consistency, here are some of the points that we are focusing on:

— That housing providers must accept applications. They can no longer close waiting lists in the future, as some do now.

— That all housing providers should list themselves in the Yellow Pages in a place that's consistent and accessible.

— That housing providers should clearly indicate that they operate within the framework of the Human Rights Code.

— That housing providers from time to time have to make it clear through public information of one sort or another that they do have a waiting list or they do have vacancies.

— That housing providers must participate in a community housing directory, if there is such a format in their community.

— That the Ministry of Housing, which set up a 1-800 housing number, should provide access to people who can't find local ways in.

— That we explore other electronic and telephone-based systems for creating access to information and the doorway to non-profit and cooperative housing.

On the question of a more equitable system, the kinds of things we're looking at and we're working towards with the people who operate non-profit and non-profit cooperative housing are ensuring:

— That in no case are fees charged at the time of application.

— That application records are kept in a way that allows the chronology of applications to be understood and responded to, that is, "When did you apply and where are you on the list on a chronological basis?"

— That if there are priority-setting policies that the non-profit or cooperative has in place, they're made available to anyone who does apply. For example, Cityhome, in the city of Toronto—its access policy is chronological; the Metropolitan Toronto Housing Authority's is based on a needs assessment system, so if you arrived at the front door of either one of those, you should be advised as to the precise nature of their priority-setting system.

— That housing providers, individually and in a group, should be in a position to explain the spectrum of housing available in the non-profit sector in a community and where that's located and what their options are.

— That the priority of particular needy groups in the system, and I'm thinking here of victims of family violence, for example, should be clearly understood and applied throughout the system.

On the third issue, efficiency:

— That the methodologies that are used should be simple, quick, effective. Some parts of our system use fairly complex assessment and ranking systems.

— That housing providers should be in a position to advise people quickly and accurately where they sit within any particular priority system. If you call up in a chronological system, where are you, or in a needs-based system or in a mix.

— That the Ministry of Housing clearly indicate, on a broad basis, what it's prepared to do to support community efforts to bring together providers to improve access. I think I said yesterday that we've been operating on a pilot or one-off

basis, but we want to establish a foundation to support community-based efforts broadly and in the longer term.

That gives you, I think, a sense of the kinds of specific issues we're looking at to improve access in response to Consultation Counts and in response to the auditor's report and in the design of the new program.

Mr Marchese: That's quite a comprehensive list, I would say.

Can I ask in connection with all of this, would you say that lack of literacy continues or will continue to be a barrier and that perhaps some of the things we have suggested here may still not be adequate in terms of reaching those whose literacy levels are very low and where there are language barriers perhaps?

Mr Burns: Yes. There are other barriers to access beyond administrative practices that I was touching on here. Perhaps I should have elaborated on the equity one, because I just said we needed to respond to some of the real conditions.

Literacy is an issue. Language capacity is an issue. Familiarity with applying for public service support at all is an issue in some places. We need to work on the methods that respond to those. I know, for example, in the case of a seniors' housing registry in Toronto, it has an outreach dimension which deals, for example, with the media that publish in languages other than English, in the Metro Toronto context. There need to be more and better ways of tackling those impediments to access.

Mr Marchese: I would recommend that we pursue the latter a little more aggressively in terms of outreach. The different media and the different communities are important to use. I presume you are, but if not, we need to do more of it, and I also suggest that a lot of the suggestions you made are very literacy-based still—

Mr Burns: Yes, they are.

Mr Marchese: —and that a lot of what needs to continue to be done is to reach people in a medium that is not necessarily based on reading. Radio and television to some extent are very useful, but other ways of doing community outreach are important to pursue.

Mr Burns: I think that's a very good point, and it takes you to the community television provisions and the cable world and to public service announcements on radio and other forms of communicating than paper. But you're absolutely right: We're civil servants and we believe in paper-driven communication, and we do have a tendency to start with that.

Mr Marchese: Yes, we do.

I still have time for another question in another area. I think it's been recognized that these are difficult fiscal times, and the recession obviously is evidence of that. We've asked all sectors to do their part in keeping costs down, to find ways to reduce costs and to provide quality service and a quality product at a lower cost. What things have we done or said to the non-profit sector that, "These are the things you need to do to keep your costs down, because you need to play a part in this as well?"

Mr Burns: This touches again on some of the subjects we touched on yesterday and that I touched on in the discussion with Ms Poole earlier on. While at our end we are looking at an aggressive program of refinancing to take advantage of the current market conditions, at the level of the individual operator the costs that can get looked at are utilities, administration, labour, maintenance; I talked yesterday about some of the initiatives we are pursuing on the energy and utility side, I think in response to a question from you. We are also looking at the norms issue, at standard practice, and then looking at exceptions to that and talking to individual operators about their practices and why they might divert from that. I also talked about trying to move from a fixed-budget contract to an incentive-based system; that's to provide a dollar incentive for efficient management at the local level.

Mr Marchese: Are there any examples of that, Dan, moving from a fixed budget to an incentive one? Can you give a sense of what that might mean?

Mr Burns: I think I said yesterday that at the moment we fix a budget relationship—let's say we fix that we'll transfer \$1 million to a particular non-profit or cooperative. If they happen to manage efficiently and end up towards the end of the year looking at a situation where they might need only \$900,000, our current arrangement says that if they're \$100,000 under they give it all back to us: We've created an incentive for people to look at their situation in the last quarter and spend in order to retain funds we've committed to them.

What I'd like to do is create a situation where if they do manage efficiently and come in under the budget, there's some sharing of the benefit of that, so they can retain some of it—perhaps they could put some more money in their replacement reserve or invest in a local priority—and some benefit also returns to the program, either in that year or in the next-year budget arrangements. That's what I meant by an incentive-based system. This is the year in which we are having discussions with non-profits and cooperatives about an incentive-based budgeting system or moving to a more incentive-based system.

In addition to the energy things and the norms I was talking about before, there are other areas worth looking at. Property taxes: I think the auditor mentioned that when you look at the real costs of our non-profits and cooperatives there seems to be quite a wide distribution, and property tax is one of them. We have everybody from people who pay no property tax, because the local municipality has granted them a charitable exemption, up to people who seem to be paying quite a high level. So we're going to, on a more systematic basis, talk to people about that. There are some cases where I think people should be appealing their property tax assessment.

There is a whole series of areas of cost within operating budgets that are worth examining: examining good business practice, encouraging people to look at their costs and to look at alternatives. Some of these are things we can do just at our end. Others are things that really require the operating non-profits and cooperatives to look at their own practices. We've had quite a lot of discussion with the associations that knit

together the people who operate in this sector about some of these cost elements, and more to come.

Mr Marchese: You talked about the off-electricity policy which I was very excited by. Of course, that increased the cost to the project, initially at least.

Mr Burns: It increased the capital cost and lowered the operating cost.

Mr Marchese: Right. I also asked what other conservation things we were doing. You talked about moving from electricity to gas and other possible energy forms that would be cheaper.

Mr Burns: We only talked about energy yesterday; we didn't talk about water. Water is another area where significant improvement can be made.

Mr Marchese: If there's time, you might talk about that. But the conversion project only deals with approximately 7,000 units out of our entire 200,000 units. So it provides relief for those who are part of the conversion project, but in terms of immediate relief to other people, the ministry offers nothing else. Is that correct, Mr Burns?

The Vice-Chair (Mr Joseph Cordiano): A quick answer, and then we've run out of time for that round.

Mr Burns: It's a broad question. For part of it the answer is yes, and for part of it the answer is no.

Mr Marchese: Clearly ambivalent.

The Vice-Chair: We have to move on. I had some questions, and the Chair hasn't returned.

Mr Derek Fletcher (Guelph): Ask Mr Callahan if he has any.

Mr Robert V. Callahan (Brampton South): A couple of brief ones, little ones.

The Vice-Chair: I'm going to ask my questions, and then I'll turn it over to Mr Callahan afterwards, if you don't mind.

Mr Callahan: Do you want me to move to the chair?

Mr David Winninger (London South): Yes, move to the chair.

The Vice-Chair: Okay. Do you mind taking over the chair for a minute?

Mr Joseph Cordiano (Lawrence): I wasn't going to ask questions this morning, but I've got three questions in these areas. Can I ask you what your staff turnover situation is like? How much staff is turning over in the ministry?

Mr Burns: Do you want an annual percentage of staff? Is that the kind of measure you're interested in?

Mr Cordiano: Yes, I'm just interested in knowing. First of all, you must keep some sort of data on it.

Mr Burns: Yes, we do.

Mr Cordiano: Just give me whatever you keep.

Mr Burns: For the whole ministry or for the non-profit program specifically?

Mr Cordiano: I'm particularly interested in the non-profit program, if you'd break it down that way.

Mr Burns: Three or four years ago, the ministry as a whole had a 10% turnover. That's dropped to 2%, and

that's quite consistent with the general experience of provincial ministries.

Within the non-profit program, the turnover has been higher and continues to be higher than those norms because most of the staffing arrangements that have been made for program delivery—that is, the development end—are based on time-limited contract arrangements; most of the program delivery staff are there only for the period of program delivery. A series of Management Board decisions on all of these programs has resulted in them being staffed in that format. So when Homes Now finished, there was a dropoff of staffing at the development end because when we staffed up, we staffed up on a contract basis, not on a permanent basis.

Mr Cordiano: You don't have numbers for me, obviously.

Mr Burns: Not right this minute on that one.

Mr Cordiano: Perhaps you could make those available at some point, a percentage figure.

Mr Burns: I have absolute numbers, but not trends. I'd be happy to provide them if you're interested.

Mr Cordiano: Let's just say that it's significantly higher than the 10% or 15% that you indicated was standard for the ministries.

Mr Burns: It started at 10% and it's dropped to 2%, and the turnover in that program administration was higher than both 10% and 2% in the two time periods I was referring to, yes.

Mr Cordiano: For affordable housing. What I'm trying to say is that the statement that you have a relatively high turnover of staff is fairly accurate, correct?

Mr Burns: Yes, that's an accurate statement.

Mr Cordiano: How many of those people have become consultants? Do you keep track of that?

Mr Burns: No, we don't keep track of it, and I don't have a number or a list.

Mr Cordiano: You can see what I'm getting at. If your staff is turning over and, under the terms and conditions that you have been staffed, you have had mostly contract staff dealing with these projects, they're getting all the necessary expertise and then moving on into the private sector. You've created a whole labour pool of talented individuals who can then consult on that basis. I think there's a point to be made with respect to that.

1120

Mr Burns: People who have worked for the ministry have gone to a number of other places in the business. Some have gone to municipalities, some have gone to the property management end of this world and some, as you've said, have gone to the development end.

Mr Cordiano: I'm particularly interested in the consulting area, because we have quite a large number of consultants out there who are obviously looking for these types of arrangements. It's an industry that's been spawned by all of this that's going on with affordable housing.

I think it's rather interesting that the staffing methodology used for the ministry is probably seeing a loss of

people as they have a place to go. I don't think that really helps you in your efforts to have a good and consistent staffing arrangement so that project management is more viable, which is something we discussed earlier. You simply don't have that pattern or that consistency or continuity of people to be able to determine what is going on with actual projects over a long period of time.

Mr Burns: I think I said in my opening remarks on the first day that the programs we're discussing here today were delivered based on minimum compliance principles. That's what a chain of Management Board decisions over a significant period of time gave the ministry. They were not interested in long-term permanent staff and they were not interested in anything beyond what was required to simply deliver the program.

Mr Cordiano: I have one final question, Mr Chair.

The Acting Chair (Mr Robert V. Callahan): I would just ask the deputy minister in answering—there's been 15 minutes allocated to each caucus, because I understand a motion to sit later was defeated.

Mr Cordiano: Then I'll pass.

Mr Fletcher: There was no motion, only a point of clarification.

The Acting Chair: I apologize. It's not unanimous consent, I gather.

Ms Poole: Fifteen minutes is fine?

The Acting Chair: I'm not suggesting that you can't ask the question, Mr Cordiano. I'm asking the deputy minister to answer it as briefly as possible.

Mr Burns: I will be as brief as I possibly can.

The Acting Chair: If there needs to be a more detailed follow-up, perhaps—

Mr Burns: I'll follow it up later. I'll do that.

Mr Cordiano: This is a question which you may not have the answer for at your fingertips, so if you'd like to get back to me, that's fine. It's one of those questions that's probably not there in the available data, but it would be interesting to me to find out what percentage of the waiting lists now in existence are made up of people who currently live in Ontario Housing projects. I'm sure you don't have that data.

Mr Burns: No, I don't, but I'm quite familiar with the issue because there was a human rights discussion about the Metro Toronto Housing Authority and Cityhome, when I was at Cityhome, about crossing over in waiting lists. I don't have the answer now, but we'll make a note and give you the best answer we can.

Mr Cordiano: Thank you.

The Acting Chair: Ms Poole.

Ms Poole: Would you tell me when five minutes are up, Mr Chair?

The Acting Chair: I won't, but Mr Cordiano will, I guess.

Ms Poole: This afternoon we're going to be going into a meeting to decide how to deal with the auditor's report and the ministry's response. Quite frankly, while the

ministry has given some reasonable explanations in some cases, there still are outstanding issues.

I can understand, when the non-profit program escalated in the late 1980s, why some of these things took place. If we review the scenario at the time, there was virtually a zero vacancy rate; there was an incredible demand for affordable housing; it was a market where people couldn't buy a house in Metro Toronto, it was priced off the scale. I don't know if other members of this committee remember, but I remember when Chaviva Hošek said you could buy a house for \$150,000 in Toronto and it was plastered all over the Toronto Star, including a picture of this minuscule, tiny, tiny house. I see Anne Beaumont smiling.

Mr Callahan: It was a Greenpark house. "We can make them, but only this big."

Ms Poole: Only this big?

Mr Tilson: Whatever happened to Chaviva? Where'd she go?

Mrs Marland: Chaviva: She was the Liberal minister, right?

Ms Poole: Chaviva was a Liberal minister of whom I am very proud. She did a lot for housing in the area she was in. But I remember the ridicule she got for saying that you could possibly buy a house in Metro for \$150,000, and I remember the frenzy we were in at that time to build. We had to build. The private sector wasn't building. Our vacancy rate was nil.

Quite frankly, I think what happened was that there were some unacceptable policy practices at that time, such as not having appropriate conflict-of-interest guidelines in place, including the price that was paid for land, and some of them, at the time you could somewhat understand why it happened, but we're now in the middle—in the middle; hopefully, near the end—of a declining economy, a declining market, large vacancy rates.

The ministry has had a lot of time to reassess what has gone wrong, where it's gone wrong and hopefully why it's gone wrong. My fear is that what is I think essentially a good program has certain aspects now that are certainly perceived by the public to be out of control, particularly with the costs associated with the program, so I think it's incumbent on the ministry to provide us with the material that to date we haven't been able to get.

I accept your explanation that some of this material is very difficult to correlate, but I think that if people in this province are to believe that the costs of this program are under control, that accountability is built into the system, that there are controls put in to ensure fiscal responsibility and that the non-profit sector is not costing that much more to build than the private sector, when you take into account extra costs that the non-profit sector must incur, if you can make that case, then I think the people of this province will say, "This is a good program and should continue."

If the ministry and the government cannot make that case, then there's going to be a cry saying, "We don't need non-profit housing; we should go to other alternatives," and I, for one, would hate to see that direction.

I guess what I'm saying to you as a ministry is that I would like you to go back over the coming months and

revisit some of the areas we've talked about in these hearings and perhaps make that attempt to show why a non-profit project may cost more and show the people that the reason it might cost more is a reasonable concept.

I think what I'd like to see in our report is to make a list of where I feel the auditor has made recommendations that the ministry has responded to, either that you are doing something now to rectify the problem, or in certain cases, such as with the vacancy rate figures where there really wasn't a problem, just the wrong information was provided to the auditor, and that would be one section.

Then I believe there will be another section where we still have concerns that we cannot prove to the people of Ontario that the accountability is built in, that we can be assured these costs are not out of control, that there is no conflict of interest, and that this program, which I believe is a good program, is running the way it should.

I didn't really need a response, but I did want to put that on the record and ask the ministry to take a look at some of these things and see if you can perhaps provide us with the information we need.

Mr Callahan: I just want to go back so I can be clear on something. When we were talking about the comments on the allocation of units in places like Oshawa, Kitchener, St Catharines and Niagara, which clearly, on the information we have, were allocated to an area that really did not have as great a demand as other areas of this province, I think your answer, Mr Deputy, was that you have revisited that or re-evaluated that as of about eight months ago. Am I correct in that regard?

1130

Mr Burns: We certainly had a discussion last year with the auditor about it. This is an area which I did not comment on in the ministry letter to the auditor. What we did do much more recently in preparing for this was to go back and look at our own data and discover that the material we had given the auditor was flawed. We then went back to the underlying material, corrected the flaws and recalculated the same kind of indices the auditor used.

Mr Callahan: I'm looking at a letter that was sent—

Mr Burns: This was last weekend.

Mr Callahan: —by you.

Mr Burns: Yes.

Mr Callahan: It showed, for instance, Oshawa, 1.5 vacancy rate, planned allocations 82, which seem to be rather significant for a vacancy rate of that difference. I just want to know, was your change of policy a direct result of the auditor bringing it to your attention? That's what I'm really interested in.

Mr Burns: Well—

The Chair: Yes or no.

Mr Burns: No.

The Chair: Mrs Marland, 15 minutes.

Mrs Marland: Mr Burns, would you agree that all non-profit housing and co-ops are subsidized, whether market or RGIs, rent-geared-to-income?

Mr Burns: It's so close to 100% that the answer might as well be yes, they all receive subsidy of one form or another.

Mrs Marland: It's not really too tough a question because the mortgages are all subsidized mortgages.

Mr Burns: Certainly, all the ones in the programs we're discussing as a result of the audit, 100%.

Mrs Marland: Okay. How many market value units exist of the units that are in the program today?

Mr Tilson: What percentage?

Mrs Marland: What percentage of the units in the program are market? I don't mind if it's not exact, if you want to ballpark it.

Mr Burns: Of 120,000 in operation today, I'm advised it's in the order of 30% to 35%, so it would mean 35,000 to 38,000, something like that. That's in order of magnitude.

Mrs Marland: Thirty to thirty-five per cent are market value.

Mr Burns: What are called "market rent units," in the program delivery terminology.

Mrs Marland: Right. Are the vacancies that you have existing in non-profit buildings today in the market units?

Mr Burns: Almost all of them are, yes.

Mrs Marland: In order to deal with that, what will you do?

Mr Tilson: Before you leave that, what's the percentage of the vacancies in the market rents?

Mr Burns: I don't know what the universal answer to that is right now; sorry. If you want to, we can see whether we can generate those data.

Mr Tilson: If you could please undertake to give that to the committee, it's important.

Mr Burns: Because we see only a picture of an individual operator once a year when the financial statements—

Mr Tilson: Fine; you could get it from that information.

Mr Burns: It's an indirect look at it.

Mrs Marland: If you want to say, "As of a certain date, this was the percentage of market units that were empty," that's the answer we would need.

Mr Burns: We'll take our best shot at answering that question.

Mrs Marland: Thank you. What do you plan to do about those vacant market units when there are so many other units on the market that are also vacant at the moment? Are you going to have to reduce the rents to attract tenants?

Mr Burns: I touched on this a little bit on day one.

Mrs Marland: Well, you know I wasn't here.

Mr Burns: Yes, I know, but it's in the record of the meetings. It depends a lot on the market conditions you're operating in. In some cases, it simply means that non-profits and co-ops that have been used to having so many people come to the door that they've never had to do any outreach may have to do a bit.

Interjections.

Mrs Marland: Mr Chairman, it's hard for me to hear. There are conversations on all three sides of the table.

The Chair: Mrs Marland's absolutely right. There are too many conversations.

Mr Burns: In some cases, it may simply be that people have to learn a little bit about reaching out to potential tenants. In other cases it may be that what is established as the market rent is now out of line with market conditions because, as you know, in some markets in the province rents have dropped. We aligned the market rents in non-profits and cooperatives to an assessment of market conditions. So in some cases, there's a case for reducing rents, and in some cases we are talking to people about that.

Mrs Marland: Do you think you're going to reach a situation where you're going to have to reduce those rents, which will increase the overall operating costs of your program? When you do that, do you also see where you might just happen to be in a position where your potential tenants would choose rather to rent in a building that isn't a government-owned housing project, so the competition for your market rents becomes more acute?

Your situation in terms of what a market rent should be becomes rather indefensible, I would suggest, with the fact that we've already said that market rent is subsidized. What I'm leading to is my concern that the people who need housing in this province are still on waiting lists. I know what the waiting list is in Peel; it's 10,000 families. I don't know what it is—maybe you could tell us what the waiting list is—for the province.

Mr Burns: The Ontario Housing Corp consolidated waiting list province-wide is 59,000 households. That includes the seniors' one in Metro Toronto.

Mrs Marland: But Ontario Housing is combined now with the local regional housing authorities, isn't it?

Mr Burns: In some places.

Mrs Marland: Peel is.

Mr Burns: Peel's ahead of some places in creating common access, something we were talking about before.

Mrs Marland: Would it be your intention to address those waiting lists by doing what you referred to in Hansard, where you said, "We'd like to raise the number of households in poverty in our projects." Is that the direction you're going in, so that families in need—in other words, the people who are poor, who need housing—will get that housing, which is already being subsidized by the taxpayers in this province?

Mr Burns: I was going to come exactly to that point because I think, as you see from the material in front of you, I touched on three things: marketing, rent levels and the possibility that in some circumstances it makes sense to raise the number of rent supplement units in a particular non-profit.

Mrs Marland: What circumstances?

Mr Burns: I think you have to look at the mix in the particular project. For example, there are some projects from history that started, in current terms, with relatively low proportions of rent-geared-to-income units. Under the 15.1 program, the norm was 25%, as opposed to 40% deep

core now and then some amount of shallow. So there are situations where, quite within the broad context of mix, you can raise the proportion of rent supplements quite logically, but I wouldn't say that necessarily applies in every case.

Mrs Marland: Knowing that all of your units are subsidized and knowing that in the region of Peel alone we have 10,000 people on a waiting list who can't afford any other housing, will it be your intention to allow those vacant market units to become available as rent-geared-to-income units. In other words, using the public tax money to justify the government being in housing, which is your argument—it's the ministry's argument—to house the poor, the people who need housing, the people who need accommodation? Will that be your intention?

Mr Burns: There are cases where we have been doing that and there will continue to be cases where we will do that, yes.

Mr Tilson: My riding is no different than a number of other ridings. It's not really a rural riding; it's not really urban; it's sort of urban-rural. But similar questions develop in perhaps the larger municipalities. People complain, first of all, of the long waiting lists. Whether it's seniors, whether it's single mothers, whether it's low-income families, they complain about the long waiting lists. Yesterday, I read you the article from the Hamilton Spectator of December, where it could be 1994 before a vacancy could be offered to low-income families in that particular area.

1140

The other complaint that I get, and I get it over and over and over, is that there are people who may have initially become qualified as a low-income family and are being placed in these units, and then after a while, for whatever reason, they've got a job, they've got a better job, they've got someone else moving in with them, another common-law spouse who's making more money etc, that those people who are living in those units shouldn't be living there because they are no longer a low-income family. Their circumstances have changed, and there doesn't seem to be a process—at least that's been drawn to the attention of the people in my riding—as to how that can be reviewed.

Mr Burns: If you began a tenancy on a rent-geared-to-income basis and your income changes, there is an annual review.

Mr Tilson: I'm sorry?

Mr Burns: An annual review. If your income has risen to the point where you should be charged the market rent established for that project, that's what will happen. But all tenancies of the type that you're describing are covered by the Landlord and Tenant Act and there's simply no basis for forcing people to move out. What would happen is, they'd move from having a rent-geared-to-income tenancy to a market rent tenancy.

Mr Tilson: I'm telling you, sir, that low-income people—seniors, single mothers, who are on a waiting list for a year to two years—are having a lot of difficulty with that policy, because they can't get into these low-income units because of that policy. I strongly recommend that you review that policy, because it's obviously totally inadequate.

Why do I say that? Because I get complaint after complaint in my constituency office, and I can't believe that every member in this Legislature hasn't had similar complaints. So that policy needs major review.

Mrs Marland: Mr Burns, I'm just going to read you some questions. I'd be quite happy for you to respond in writing to the committee, just to get them on the record since I'm down to my last four and a half minutes.

Would you tell us how many households receive assistance through the shelter subsidy program operated by Comsoc? I realize yesterday you were talking about 54%, but my question is, how many households, not the percentage.

Mr Burns: Yes.

Mrs Marland: And what is the annual cost of the program based on current case loads? How many households will be housed in non-profit housing, at a cost of over \$1 billion a year, once all the units are on stream in 1995-96? I think actually you did say 120,000 units by 1995, but my figures make it 136,000, so I thought we should get it correct.

Mr Burns: Today's universe is 120,000. It's actually, I think, more like 170,000, but I'll get you the exact numbers.

Mrs Marland: Thank you. How many households that receive a shelter allowance reside in non-profit housing? That's an important question for us to know. How many households that receive a shelter allowance reside in Ontario Housing Corp housing?

According to the materials you handed out yesterday, there are 264,250 Ontario households that are in core need of assistance with shelter costs. Is this figure for families that are in core need and are not being assisted through any provincial housing program at present?

Mr Burns: Okay, Mrs Marland. I'd be happy to provide the answers to those questions. Should I do that in the same format we were discussing before, addressing it to the Chair and having it distributed?

Mrs Marland: That's great.

Mr Burns: Okay, we will do that.

The Chair: Mr Tilson, I know from the look on your face you have another question, but unless you can do it in 30 seconds and get an answer, we're going to move on.

Mrs Marland: You have a minute, actually.

Mr Tilson: I have a minute, I think, Mr Chairman.

The Chair: I don't think so.

Mr Tilson: This is by the Marland clock.

How do you determine the market rents? How do you determine those?

Mr Burns: It's done through a methodology that looks at market rent conditions in the broader marketplace that surround a particular project.

Mr Tilson: How do you do that? One of the other criticisms that comes in my riding is that you're putting the private landlords out of business because you're in major competition with them, that you're charging less rent than they are.

Mr Burns: I'd be happy to send you the methodology that we use.

Mr Tilson: Thank you. If you could send that to the committee, we'd appreciate that.

Mr Winninger: I should preface my comments by saying that I too have some background in socially assisted housing. In 1988 I was appointed chair of the London and Middlesex Housing Authority, which in fact was a Liberal appointment. At that time we managed, as I recall, over 20 complexes in the London area, representing a housing stock worth tens of millions of dollars with a not-inconsequential annual operating cost.

The same kinds of concerns I hear expressed in this committee room today I think I heard then. When I went to a social housing conference, back in 1988, on quality management in public housing, there was a lot of concern expressed about the accountability of community-based boards for the decisions they were making that affected expenditures of public dollars.

Last night I went and I looked again at the excerpt from the auditor's report and I looked again at the response of the Ministry of Housing and, quite frankly, I don't think the two bodies are that far apart.

Mr Callahan: What were you reading?

Mr Winninger: The auditor acknowledged that the creation of 70,000 assisted housing units in Ontario was a significant and costly enterprise and that there were problems that arose. Some of them were itemized: pressures to meet inflexible annual deadlines set by the federal government; the pressures of the booming real estate market in the late 1980s; and the fact that there was such a pent-up demand for affordable housing that sometimes there was a lack of experienced staff to handle the projects that were coming forward and to meet those allocations.

The auditor isolated the fact that controls might have been less than satisfactory to ensure that projects were built where they were needed and at a competitive cost. There are some points of agreement. There are some points of disagreement.

The auditor alleges in his report that the needs-and-demand studies were not thorough enough and that projects were allocated to areas with high vacancy rates. The ministry takes the position that this was necessary, in some cases, to avoid future shortages by increasing the stock of affordable housing.

Now we find, in some cases, that many of these units which were originally destined to be market rent units are occupied by rent-geared-to-income tenants. This may frustrate, to some extent, integration of the poor and the wealthier. However, I would put it to you that my constituents who are poor and need a home are probably more concerned with a roof over their heads, and their secondary concern would be with being integrated and not ghettoized.

Another allegation put forward by the auditor was that the costs of projects continued to increase after 1989, while land prices and construction costs in fact went down. The ministry takes the position that many sites were approved in 1991 but had been identified much earlier, and because of fluctuations in the market, you didn't always

see a decline in project prices which was contemporaneous with fluctuations in the market.

Certainly, I was impressed by the fact that a theoretical construct was used to measure the cost per unit in new complexes which was a theoretical construct and not based on the actual number of units in a complex, and when you actually calculate the actual number of units and divide it into the total context price, the price per unit comes down.

1150

The ministry is also responding to the concern expressed by the auditor about the highest-and-best-use appraisal values. The ministry takes a position that the best price should always be based on the best market value, and that in fact is consistent with the private market.

The auditor takes a position that there was a satisfactory review by the Ministry of Housing of site plans, that the monthly onsite inspections to ensure projects were built according to plans and the progress payments were justified and carried out appropriately.

The ministry, on the other hand, makes several concessions, I think, which are useful to know. I don't necessarily buy into this notion, but if in fact there is some lack of public confidence that taxpayers' dollars are not being adequately protected in socially assisted housing, it's certainly comforting to know that measures are being taken by the ministry to develop norms and standards for operating costs to ensure that there are operating agreements in co-operative and for-profit housing projects to ensure that appraisals examined recent land transactions and other circumstances that pertain to the site selection.

I am secure in knowing that the Ministry of Housing has found the auditor's report helpful and has begun the process of changing the ways in which programs are delivered and administered, and that some issues raised by the auditor were already identified back in September 1991, which led to a full review. I'm hopeful that in our new Jobs Ontario homes delivery programs a lot of the precepts recommended by the auditor and in fact identified by the ministry will result in a more efficient and cost-effective manner of delivery.

I think that needs to be stated for the record. It may not be in the form of a question, but I know my colleague Noel Duignan has a question to ask, and there is a bit of time remaining.

The Chair: Mr Duignan, we have about seven minutes left, and I know you have other colleagues on the list too. Do you want to use the entire seven minutes?

Mr Duignan: Very briefly, Mr Chairman. I want to look at some of the common myths and misconceptions used by people who are against basically non-profit housing.

Shelter allowances are one of those common myths. Basically, that is wrong. Shelter allowances, I believe, are a short-term way to help people who need housing through an income supplement, not a housing supply program. They help people pay the rent but don't guarantee people affordability or an adequate place to live. Shelter allowances, when we look at it, were introduced back in 1988. At that time, the program was about \$500 million. In just four short years that subsidy program has grown to \$2.5

billion. That's four times the amount spent on non-profit housing subsidies.

Also, if you look at the rent supplement program, we spent some \$80 million this year on the rent supplement program. It doesn't guarantee one unit of housing stock in this province. All we're doing is paying money on rental to landlords, but it does not create one permanent unit of housing in this province. It does not provide affordable, decent places for people to live, and that's what people want.

Also, I believe the common myth was that we have an ideology that we only believe in non-profit housing, but that's not the case. The provincial Liberals, for example, introduced the Homes Now program. The federal Tories believe in the program at the federal level. What is the ILM, the index-linked mortgage program—

Interjections.

The Chair: Order, please. Mr Duignan has the floor.

Mr Duignan: —or the provincial non-profit program or in fact the 56.1 program?

Interjections.

The Chair: Order, please. Mr Duignan has the floor.

Mr Duignan: I believe there's nothing ideological about supporting non-profit housing. It just makes plain, common, economic sense. It's the only housing that provides decent, affordable homes that will be around for a long time. It's the only housing that helps people with special needs and it's the only housing activity that creates jobs. It's not ideology; it's common sense, which the people of this province want and will continue to want and which we will continue to support. I yield to my colleague Mr Kormos.

The Chair: Mr Kormos, four minutes.

Mr Peter Kormos (Welland-Thorold): I want to ask you some questions, Mr Burns. I want to talk for a few moments about developers and I want to put this in context because so much of what we do here tends to focus on Toronto, and the fact is that the vast majority of Ontario has so little in common with Toronto.

Mr Fletcher: That's right.

Mrs Marland: That's right; I agree.

Mr Kormos: There was some comment made during the course of this week on the role of developers. I've got to tell you, I'm somewhat familiar with and I inquired into the activities of Niagara Peninsula Homes in the Niagara region as developers, and I put this in the context of the concerns expressed about favouritism, fees and value for dollar, along with the request by the auditor that there perhaps be some more standardized needs assessment.

My experience is that Niagara Peninsula Homes, for instance, conducts exhaustive needs requirements before it makes a proposal on behalf of persons who would want to create co-op housing or non-profit housing. Is my impression correct in that regard?

Mr Burns: I haven't personally looked at the Niagara ones, but it's a requirement and has been a requirement all the way along. As we said a couple of days ago, it was suspended in a couple of markets like Toronto for a period of time because the situation had already been assessed

generally. It didn't have to be reassessed. But our general view is that organizations like the one you've described do credible local assessments as part of their work.

Mr Kormos: And oft-times hard and fast models like, for instance, fair share allocation models are not in themselves sufficient to determine need.

Mr Burns: That's right.

Mr Kormos: There are some very subjective and local issues that have to be addressed that people like Niagara Peninsula Homes are best equipped to address.

Mr Burns: There are certainly local conditions that need addressing. I don't think I'd characterize them as subjective. There are objective local conditions that don't turn up when you use national methodologies.

Mr Kormos: The problem is that there are some players in the development field who aren't the Niagara Peninsula Homes of Ontario but are far less savoury.

Mr Cordiano: That's a personal opinion.

Mr Kormos: That are far less competent and capable in both assessing need and addressing the needs of their clients.

Mr Burns: There are clearly people who work in non-profit proposals who do better work and others whose work is not so good.

Mr Kormos: I understand that CHAO has an accreditation process for developers.

Mr Burns: In the cooperative world, yes, that's right. There is an accreditation process for people who do development in that particular sector.

Mr Kormos: And that's in effect a means of identifying the developers who are competent, who are qualified, who are ethical.

Mr Burns: There are special dimensions to developing cooperatives. You have to develop a cooperative institution along with the building, and the accreditation processes that have been set up in that sector are intended to address all of that and produce a credible, consistent work at the end.

Mr Kormos: Niagara Peninsula Homes is one of those developers that's accredited and has a good reputation not only in Niagara region and with the ministry but throughout the province. Isn't that correct?

Mr Burns: Yes.

Mr Kormos: Indeed, why would the province operate with non-accredited developers?

Mr Burns: Because the assessment of the ministry is that there are capable project management capacities in municipalities and in private-sector companies, as well as in firms which specialize in the development of cooperative housing.

Mr Kormos: Why wouldn't the Ministry of Housing initiate either policy or preferably legislation that would require non-profit and co-op developers to be accredited ones if they are going to be working with the province and public funds?

What's unfair about that proposition?

Mr Burns: The question of whether we should have a broad accreditation for people who do this particular kind of project management work is one that's been raised a number of times. It was raised by quite a lot of people in the consultation process.

Mr Kormos: Why wouldn't the province urge that there be a regulatory body for developers dealing with the public sector?

Mr Burns: Creating another regulated business is not a simple matter. So I think you have to go to the other side of the question.

Mr Kormos: I understand that, but there are any number of professions that are seeking regulation and the ability to self-regulate.

Mr Burns: That's right, including mine.

Mr Kormos: And if non-profit and co-op developers indeed sought this sort of self-regulatory body, why wouldn't the province facilitate them with legislation?

Mr Burns: That's a question that I can't answer.

Mr Callahan: Point of order.

The Chair: No, there's nothing out of order. I'd like to hear the answer to this question, because time is running out. Is there an answer to Mr Kormos's question?

Mr Burns: That's a question I can't answer.

Mr Kormos: Would that not begin to address—

The Chair: Thank you. Time has expired.

Mr Kormos: —some of the concerns that were raised about the less scrupulous developments?

The Chair: Mr Kormos, sorry. Time has expired.

Mr Marchese: You must be a lawyer.

The Chair: I want to take this opportunity—

Mr Callahan: On a point of order, Mr Chair.

The Chair: Yes, point of order?

Mr Callahan: The reason I raised the point of order is, that's clearly a policy question that should be directed to your minister, Mr Kormos, not to a civil servant.

Mr Kormos: Mr Callahan, your counsel and guidance is worth exactly what I paid for it.

The Chair: I want to take this opportunity on behalf of the committee to thank Mr Daniel Burns, Deputy Minister of Housing, and all the ministry staff who have joined us over the last three and a half days during this special review of section 3.12 of the annual report of the Provincial Auditor as it deals with non-profit housing. We want to thank you for your cooperation and look forward to the information.

Mrs Marland: You should thank also the staff.

The Chair: I have thanked all the staff, but there are so many private conversations that members can't hear me.

Mr Poole: Maybe we just don't want to hear you, Mr Chair.

The Chair: You can do whatever you like. Anyway, in closing, the public sessions regarding this review are now concluded. We're going to go into private session this afternoon, if you'll just let me finish, Mr Callahan.

Mr Callahan has given me notice of motion that deals with another matter; it doesn't deal with the Ministry of

Housing. If you're really interested in staying and listening to Mr Callahan's motion, you're more than welcome. If you have other obligations, we understand.

This session of the public hearings, as I stated, has now been concluded, and I turn the floor over to Mr Callahan.

Mr Callahan: After that vote of confidence, Mr Chairman, I see that people are leaving but, in any event, I'll put it forward because it's one that arose out of our hearings and one that I believe is very important and that I think members would want to follow up.

I move that the Provincial Auditor be directed to conduct a special audit pursuant to section 17 of the Audit Act to assess the effectiveness of collection procedures with reference to the quality of information and the timeliness with which it is turned over to the central collection services of the Ministry of Government Services.

Just very quickly the explanation of that: As you may recall, in our hearings we had the central collection people in here, and they told us the biggest problem they have in being able to collect about only 10% of, I think it was, \$160 million or \$170 million that's owed to this province was the fact that the ministries themselves fail to comply with a 90-day policy that's set down by Management Board of Cabinet in terms of turning those over when they become delinquent. This is a very essential fact, and I think it's something the auditor should investigate. I hope each and every member would support that motion.

The Chair: We'll have time to consider this motion this afternoon or, failing that, we'll consider it when we return in the spring session.

Having concluded this morning's business, we are recessed until 2 pm.

The committee recessed at 1203.

CONTENTS

Thursday 11 March 1993

Annual report, Provincial Auditor, 1992	P-547
Ministry of Housing	P-547
Daniel Burns, deputy minister	

STANDING COMMITTEE ON PUBLIC ACCOUNTS

- ***Chair / Président:** Mancini, Remo (Essex South/-Sud L)
- ***Vice-Chair / Vice-Président:** Cordiano, Joseph (Lawrence L)
- ***Acting Chair / Président suppléant:** Callahan, Robert V. (Brampton South/-Sud L)
 - Cousens, W. Donald (Markham PC)
- *Duignan, Noel (Halton North/-Nord ND)
 - Frankford, Robert (Scarborough East/-Est ND)
 - Haeck, Christel (St Catharines-Brock ND)
- *Hayes, Pat (Essex-Kent ND)
 - Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
 - O'Connor, Larry (Durham-York ND)
 - Sorbara, Gregory S. (York Centre L)
- *Tilson, David (Dufferin-Peel PC)

*In attendance / présents

Substitutions present / Membres remplaçants présents:

Fletcher, Derek (Guelph ND) for Ms Haeck and Mr Frankford
Harrington, Margaret H. (Niagara Falls ND) for Ms Haeck
Kormos, Peter (Welland-Thorold ND) for Mr Frankford
Marchese, Rosario (Fort York ND) for Mr Johnson
Marland, Margaret (Mississauga South/-Sud PC) for Mr Cousens
Poole, Dianne (Eglinton L) for Mr Sorbara
Sola, John (Mississauga East/-Est L) for Mr Sorbara
Winninger, David (London South/-Sud ND) for Mr O'Connor

Clerk / Greffière: Manikel, Tannis

Staff / Personnel: Richmond, Jerry, research officer, Legislative Research Service

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